

ORIGINAL

NEW APPLICATION



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August 23, 2011

Ernest G. Johnson
Executive Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

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AZ CORP COMMISSION
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**Formal Complaint under ARS S40-246
And Arizona Corporation Commission Rules and Procedures R14-3-106
Against Montezuma Rimrock Water Company LLC
and Managing Member Ms. Patricia Olsen**

Complainants:

Mr. John E. Dougherty
5225 N. Bentley Drive
Rimrock, AZ 86335
Resident and Property Owner in MRWC Service Area

W-04254A-11-0323

Mr. William Nicholas Kopko
5185 Kramer Drive
Rimrock, Arizona 86335
MRWC Customer

Arizona Corporation Commission
DOCKETED

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Additional Complainants to be added

Company Background

Montezuma Rimrock is an Arizona Limited Liability Company engaged in the business of providing water services in an area located approximately 10 miles northeast of the town of Camp Verde in Yavapai County, Arizona. The Company's service territory encompasses approximately 3/8 of a square-mile and serves approximately 200 customers.

The Company received its Certificate of Convenience and Necessity ("CC&N") through a transfer authorized in Decision No. 67583, dated February 15, 2005. Montezuma Rimrock was acquired by its current owner in a sale of assets and transfer of the Certificate of Convenience and Necessity from Montezuma Estates Property Owners' Association ("MEPOA") to Montezuma Rimrock.

(The Commission rejected Staff's recommendation NOT to transfer MEPOA's CC&N to Montezuma Rimrock, but instead award it to Arizona Water Company because AWC had a strong financial history, high production capacity and plans to install an arsenic treatment facility, which has since been installed.)

Due to the lack of records (destroyed in a fire) transferred from MEPOA to the Company at the time of acquisition, documentation on plant was nonexistent for the years 2001 to 2005. Commission staff utilized the Company's annual reports filed with the Corporations Division of the Commission to calculate plant balances for the years in

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which no other verifiable documentation exists.

The Service Area experienced rapid growth in the early 2000s. As of Dec. 31, 2000, there were 61 connections served by MEPOA, according to a June 15, 2009 ACC staff report. At the time of the sale to the Company, there were approximately 120 customers, according to Decision No. 67583, Findings of Fact, 2. Growth peaked in 2005 when 52 new homes were constructed and by Dec. 31, 2006 the Company had 198 connections. The Company reported 203 connections as of Dec. 31, 2010.

Inexplicably, the Commission and Yavapai County allowed MEPOA and the Company to rapidly expand between 2000 and 2006, despite the fact that MEPOA and the Company had inadequate water supplies from two production wells and a lack of storage tank capacity to meet demand for domestic water consumption and provide safe and adequate fire protection for the community.

Ms. Patricia Olsen was aware of the supply and storage issues facing MEPOA and subsequently the Company because she had been employed by MEPOA since at least 2002 to manage the water system. At the time of the sale in Feb. 2005, the Company assumed a system that had two well sites, two 10,000 gallon storage tanks and two, 2000-gallon pressure tanks. The primary well only pumped 35 gallons per minute and the second well was not in use.

Despite the limited supply, Ms. Olsen overall saw rapid expansion of the system far beyond its capacity to provide domestic supplies and fire protection. According to the June 15, 2009 staff report, the Company was serving more *than twice* as many customers than it could adequately supply:

"The current well production capacity of 70 GPM (from two wells) and storage capacity of 30,400 gallons is adequate to serve up to 92 service connections. For this system to adequately serve the current 206 service connections (as of Dec. 31, 2007), the system would need an additional 30,000 gallons of storage capacity."

In addition to the serious water supply and storage issues, the Company does not meet state and federal drinking water standards for arsenic. On Dec. 17, 2008, ADEQ issued a Notice of Violation ("NOV") to the Company for distribution of water in excess of the MCL for arsenic.

In an underhanded attempt to solve both the water supply and arsenic issues, the Company drilled a new, 400-foot well (Well No. 4) on a residential lot in 2006. The company incurred a \$32,000 long-term debt to acquire the lot that has never been disclosed to the Commission. The Company is required to obtain Commission approval before incurring any debt.

The Company also failed to obtain all necessary zoning variances from Yavapai County to operate a commercial business in a residential area prior to drilling the well. This failure resulted in a Notice of Violation issued by Yavapai County in October 2009. (Exhibit 1)

Well No. 4 also violates the Yavapai County Water Code for setback requirements for neighboring properties. Because of these County issues, the Company does not have a "Certificate of Compliance" needed to operate Well No. 4.

In 2008, the Company filed application for a federally subsidized loan from the Arizona Water Infrastructure Financing Authority to build an arsenic treatment facility that would be served by Well No. 4.

On June 7, 2010, The Company signed a Consent Order with ADEQ stating it

would, notwithstanding funding of the WIFA loan, obtain all approvals and construct the arsenic treatment plant by June 2011. The Company failed to do so.

In June 2011, ADEQ extended the deadline to finish construction and obtain all permits for the arsenic treatment facility to April 2012.

On Nov. 22, 2010, WIFA notified the Company that an Environmental Impact Statement was necessary to ensure that Well No. 4 does not seriously impact Montezuma Well National Monument that is administered by the National Park Service and Wet Beaver Creek riparian area, both of which are within 300 feet from the well head.

On Jan. 24, 2011, the Company abandoned the WIFA financing and decided to seek private financing, which to this date has not been forthcoming because of the Company's weak financial condition and sustained operating losses.

The Company is now seeking a \$37,536 annual emergency rate increase in Docket W-04254A-11-0296 in an attempt to qualify for a \$165,000 loan from a private lender to finance construction of the arsenic treatment facility and avoid undertaking the EIS.

A hearing on the Company's requested emergency rate increase is scheduled for Sept. 22, 2011. The Company also has been ordered to submit a financing plan for the arsenic facility under Docket W-04254A-08-0361; W-0425A-08-0362 by Sept. 22, 2011.

The Company's emergency rate increase includes approximately \$23,503 in principle and interest to repay the \$165,000 loan at 7.5% for 10 years *and* \$14,033 to cover ongoing losses by the company.

The Company's request to include generic operating losses in the emergency rate increase for the arsenic treatment plant is contrary to staff's previous arsenic surcharge calculation for the WIFA loan, which was revenue neutral.

Complaint

The complainants request the Company to provide a complete explanation and for the Commission Staff to independently investigate the following *allegations*:

I--The Company did not disclose material financial information to the Commission when it submitted its Annual Reports in 2006, 2007, 2008, 2009 and 2010 by failing to disclose a \$32,000 long-term debt incurred in 2005.

II--The Company did not disclose material financial information to Commission staff during a 2009 audit that was used to calculate a permanent rate increase and whether the company could qualify for a \$165,000 WIFA loan. The staff audit formed the basis for Decision No. 71317 Docketed on Oct. 30, 2009.

III--The Company did not disclose material financial information to WIFA in 2009 when it formally applied for a \$165,000, 20-year, federally subsidized loan by falsely declaring it had no long-term debt when in fact it had incurred a \$32,000 debt in 2005.

IV--The Company improperly includes Well No. 4, DWR 55-213141, as part of its "Water Company Plant Description" in its Annual Reports in 2007, 2008, 2009 and 2010. Well No. 4 has never been approved for operation by Yavapai County and the Company

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does not have a "Certificate of Compliance" to operate the Well because it was built in violation of the Yavapai County Water Code and encroaches on neighboring property rights.

V--The Company overcharges an unknown number of customers by failing to fully disclose its approved rate tariffs on Montezuma Rimrock's official website and forcing customers to pay for water service connections larger than necessary.

VI--The Company is seriously damaging its financial condition through:

1. Excessive salaries paid to managing partner Patricia Olsen and others;
2. Excessive rents paid for its office located in a residential property owned by Ms. Olsen and her husband
3. Excessive transportation expenses in connection with Ms. Olsen's commute from her home in Flagstaff to the MRWC office in Rimrock – a distance of approximately 50 miles each way.

These excessive expenses have seriously eroded the company's cash reserves and contributed directly to operating losses in four of the last five years.

VII--The Company is in violation of state and federal safe water standards and is operating under an Arizona Department of Environmental Quality (ADEQ) Consent Order (since June 2010) requiring customers to make an appointment to obtain bottled water from the company's office.

VIII--The Company is in violation of Commission Decision No. 71317 since December 31, 2009 for failing to obtain an ADEQ Certificate of Approval for Well No. 4.

IX--The Company is in violation of Commission Decision No. 71317 since April 30, 2010 for failing to obtain an ADEQ Certificate of Approval for the arsenic treatment facility.

X--The Company provided incomplete and misleading statements to Commission investigators in January 2010 concerning its Yavapai County zoning issues related to Well No. 4.

XI--The Company improperly billed and collected an "arsenic surcharge" in December 2009 in violation of Commission Decision No. 71317.

XII--The Company improperly billed and collected an "arsenic surcharge" in April 2011 in violation of Commission Decision No. 71317.

XIII--The Company constructed the vast majority of a 2,500-foot pipeline on or about April 20, 2011 intended to connect Well No. 4 to the proposed arsenic treatment facility at Well No. 1.

The cost of the pipeline is included within Company's budget for the \$165,000 loan for the arsenic treatment facility. There is a conflict in amounts between the \$7,000 Ms. Olsen asserts she paid for the pipeline and the \$42,000 she claims is needed in the loan documentation. Complainants ask for a detailed accounting of pipeline costs.

XIV--The Company is improperly seeking a \$37,536 emergency rate increase to not only cover the possible costs of a private loan for the arsenic treatment facility, but to also include **ongoing operating losses** without the benefit of a full rate hearing and an ACC staff audit of its books that would normally be required in a formal rate hearing.

The \$37,536 emergency rate increase sought by the Company is more than double the \$16,562 annual increase that ACC staff determined in 2009 would be needed to repay the WIFA loan.

Details of Allegations

Allegation I

Montezuma Rimrock and its managing partner, Patricia Olsen, filed incomplete, inaccurate and materially misleading Annual Reports for 2006, 2007, 2008, 2009 and 2010 with the Arizona Corporation Commission by failing to disclose a \$32,000 long-term debt incurred on or about October 19, 2005 in violation of R14-2-411 D (1, 2) and Commission Decision No. 67583.

For each of Montezuma Rimrock's Annual Reports filed in 2006, 2007, 2008, 2009 and 2010 on or about April 15 of each year, Ms. Olsen submitted three sworn statements verifying property and sales taxes, intrastate revenues and residential revenues.

"This annual utility report to the Arizona Corporation Commission ... has been prepared under my direction, from the original books, papers and records of said utility; that I have carefully examined the same, and declare the same to be a complete and correct statement of business affairs of said utility for the period covered by this report in respect to each and every matter and thing set forth, to the best of my knowledge, information and belief."

Commission Decision No. 67583 states:

MRWC shall not encumber the assets of the utility in any way without prior Commission approval;

MRWC shall maintain its books and records in accordance with the NARUC Uniform System of Accounts;

Contrary to Ms. Olsen's repeated sworn statements on five years of annual reports and in

direct violation of Commission Decision No. 67583, on October 19, 2005, Montezuma Rimrock signed a "Deed of Trust" obligating Montezuma Rimrock to repay a \$32,000 loan to Anna Barbara Brunner for the purchase of a lot (Yavapai County Assessor No. 405-25-517) in Rimrock.

Patricia Arias (aka Olsen) signed the Deed of Trust as "managing member of the Montezuma Rimrock Water Company LLC". (Exhibit 2)

The affidavit of value states the property was purchased for \$35,000, with a \$3,000 cash down payment. The affidavit indicates that the seller provided a "carryback" loan and the buyer was Montezuma Rimrock. (Exhibit 3)

The Yavapai County Treasurer states the owner of the property is Montezuma Rimrock. (Exhibit 4)

The Company's Annual Reports for 2007, 2008 and 2009 do not report any long-term debt and leave blank the "Supplemental Financial Data" section where Long Term Debt is further described in each annual report. (Exhibit 5)

The Company's 2010 Annual Report states a long-term debt "balance at end of year" of \$28,611 on line item 224 of the balance sheet and discloses "interest expense" on line 427 of \$2,244. (Exhibit 6)

The Company does not disclose the long-term debt under "Supplemental Financial Data" in the 2010 Annual Report. The supplemental section requires a company to report when the commission authorized long-term debt, among other disclosures. (Exhibit 7)

The failure to report interest and principle payments in association with this long term debt materially understates the Company's expenses and materially overstates Net Income, thereby providing customers, the public and the Commission with an inaccurate assessment of the Company's true financial condition.

Allegation II

The Company's \$32,000 long-term debt fully described in Allegation I was not disclosed to ACC staff when it conducted its audit in preparation of the 2009 permanent rate increase approved in Decision No. 71317. (JUNE 15, 2009, STAFF REPORT FOR MONTEZUMA RIMROCK WATER COMPANY LL.C.'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W-04254A-08-0361) AND FINANCING (DOCKET NO. W-04254A-08-0362)

Staff's analysis, which was integral in the underwriting for the WIFA loan, was based on the Company's financial statements dated December 31, 2007, which failed to disclose the \$32,000 loan.

The failure to disclose the debt to staff when the Company submitted its 2007 annual report is a violation of R14-2-411 D (1, 2) and Commission Order 67583.

Allegation III

The Company submitted a false and misleading statement in its loan application to the Arizona Water Infrastructure Financing Authority when it affirmatively stated that the company had no long-term debt when it applied for the \$165,000 WIFA loan. The Company knew it had incurred a \$32,000 loan as fully described in Allegation 1. (Exhibit 8)

The false submission is a violation of R14-2-411 D (1, 2) and Commission Decision No. 67583.

Allegation IV

The Company installed Well No. 4 on the residential parcel without first obtaining zoning approval from Yavapai County. In 2006, Montezuma Rimrock drilled a 400-foot well within 50 feet of adjacent properties, in violation of the Yavapai County Water Code (Exhibit 9).

As of August 23, 2011, Well No. 4 has not been granted a "Certificate of Compliance" by Yavapai County Development Services. The certificate of compliance is necessary before Montezuma Rimrock can operate the well. (Exhibit 10)

On April 21, 2011, Yavapai County Deputy Attorney Jack Fields avowed in Yavapai County Superior Court that Well No. 4 will not receive a Certificate of Compliance until it meets the requirements of the Yavapai County Water Code, including obtaining encroachment waivers from neighboring property owners. (Exhibit 11)

On April 21, 2011, Mr. William Kopko, a Complainant, who owns property adjacent to Well No. 4, submitted a sworn affidavit to Yavapai County Superior Court stating he will not sign an encroachment waiver for Well No. 4. (Exhibit 12)

The Company has never disclosed to the Commission the fact it does not have a "Certificate of Compliance" nor has it provided any evidence of its plan to obtain such certificate.

The Company's inclusion of Well No. 4 as part of its "Water Company Plant Description" in the 2007, 2008, 2009 and 2010 Annual Reports knowing it never had and still lacks final Yavapai County zoning approval to operate the Well violates Commission Decision Nos. 67583 and 71317 and R14-2-411 D (1, 2).

Allegation V

The Company's website provides incorrect and misleading information to customers and potential costumers (<http://www.montezumawater.com/Rates.html>). (Exhibit 13)

The Company has failed to publicly disclose the lowest ACC approved tariffs for 5/8 x 3/4 connections on its published rate schedule since at least February 2010. (Exhibit 14)

The failure to disclose accurate rates is in violation of R14-2-204 B (1, 2).

As a result of this misleading information, an unknown number of residential customers have been forced to incur higher hookup fees and higher monthly base rates for water usage. Among those residential customers forced to pay a higher monthly rate for a 3/4 x 3/4 hookup when a 5/8 x 3/4 inch hook is adequate is MRWC customer Diana Harding Mitchell. (Exhibit 15)

Allegation VI

1. The Company has paid excessive salaries to unknown employees totally \$23,525 in 2008, \$27,141 in 2009 and \$14,802 in 2010.

The Company's salaries in 2008, 2009 and 2010 are far greater than the \$7,669 salary determined by staff in June 2009 when it calculated the Company's total operating expenses. (June 15, 2009, Staff Report; Montezuma Rimrock Water Company, Docket No. W-04254A-08-0361 Test Year Ended: December 31, 2007 Schedule DRE-3 Page 1 of 4)

The Company's higher salaries have not corresponded with significant increases in revenue. In fact, revenue as reported in the Company's Annual Reports has been *less* than the Staff Adjusted Revenue of \$106,850 determined in the June 2009 staff report submitted prior to the permanent rate hearing.

The excessive salaries significantly deviate from the \$7,669 assumption used to calculate total operating expenses of \$93,226 included in line 44 of Decision No. 71317, which states:

"The water rates and charges Staff recommends would produce total operating revenue of \$106,850, an increase of \$5,551, or 5.48 percent, over TY revenue. Using the total operating expenses of \$93,226 adopted herein, this would result in operating income of \$13,624, and a 12.7 percent operating margin. Staff believes that a 12.75 percent operating margin will provide Montezuma sufficient funds to manage contingencies, operating expenses, and below the line expenses."

The excessive salaries in 2008, 2009 and 2010 are directly contributing to the company's operating losses and steadily weakening the Company's overall financial condition in violation of Commission Decision Nos. 71317 and 67583 and R14-2-411 D (1, 2).

2. Since purchasing the water company from Montezuma Estates Property Owners Association in 2005, Montezuma Rimrock has expensed for rents \$5,500 in 2007, \$5,200 in 2008, \$4,950 in 2009 and \$5,800 in 2010, according to the Company's annual reports. In 2006, the Company reported \$319 in rents.

The rents are for the company's office located in a residential property at 4615 E. Goldmine Road, Rimrock, 86335, which lies within the service area for the Company.

MRWC Managing Partner Ms. Patricia Olsen and her husband, Greg Olsen purchased 4615 E. Goldmine Road on July 19, 2006. (Exhibit 16) The Olsen's, however, list their home as 2126 S. Tombaugh Way, Flagstaff, AZ 86001.

There is no evidence that Patricia Olsen has declared at any time to the Commission that she is personally benefiting by using ratepayers funds to help pay for a \$180,000 mortgage on 4615 E. Goldmine Road that is purportedly being used as an office for the company.

The Company has allowed unknown persons to use the property as living quarters. Ms. Olsen stores an RV at the property and keeps pet goats in the back yard.

There is no evidence that the Company's 200 customers obtain commensurate benefits compared to the cost to maintain this residence/office, particularly since most customers mail their bills to the company's Post Office Box 10 in Rimrock.

The unnecessary expense on excessive office rents in a residential property owned by Ms. Olsen violates Mr. Olsen's fiduciary responsibility to serve the best interests of her customers and is an improper self-enrichment at the expense of ratepayers in violation of Commission Decision Nos. 71317 and 67583 and R14-2-411 D (1, 2).

3. Ms. Olsen's residence is at 2126 S. Tombaugh Way, Flagstaff. Ms. Olsen commutes to Rimrock to manage the water company.

According to the Company's annual report, the company has incurred transportation expenses of \$12,870 in 2006, \$10,507 in 2007, \$12,586 in 2008, \$8,654 in 2009 and \$9,279 in 2010. The transportation expenses appear to be excessive given that the service area for the Company is less than one square mile.

Including commuting mileage from Flagstaff to Rimrock in transportation expenses presented in Annual Reports is an improper and unnecessary burden on the Company's ratepayers and aggravates the company's deepening financial problems in violation of Commission Decision Nos. 71317 and 67583 and R14-2-411 D (1, 2).

Allegation VII.

The Company is in violation of state and federal safe water standards and is operating under an Arizona Department of Environmental Quality (ADEQ) Consent Order (since June 2010) requiring customers to make an appointment to obtain bottled water from the Company.

The Commission has a duty to rectify this situation.

A.R.S. S. 40-321 reads:

When the commission finds that the equipment, appliances, facilities of service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

Additionally, A.A.C. R14-2-407 (A) and (C) require each public service corporation to provide potable water to customers and to supply a satisfactory and continuous level of service.

On Feb. 26, 2010, ACC staff issued a letter to the Company stating it must immediately address the ADEQ violation:

"Your ADEQ deficiencies will likely impact your Company's ability to provide adequate, satisfactory, and continuous service, and these deficiencies should be remedied immediately." (Exhibit 17)

As of August 23, 2011, the company has failed to cure the ADEQ violation and the Commission has taken no action to address the deficiency.

The Company's failure to cure the deficiency is a violation of R-14-2-407 (A) and (C).

Allegation VIII

The Company is in violation of Commission Decision No. 71317 since December 31, 2009 for failing to obtain an ADEQ Certificate of Approval for Well No. 4.

The Commission has a duty to immediately address this violation.

Specifically, A.R.S. S40-321 reads:

When the commission finds that the equipment, appliances, facilities of service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it are unjust, unreasonable,

unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

Additionally, A.A.C. R14-2-407 (A) and (C) require each public service corporation to provide potable water to customers and to supply a satisfactory and continuous level of service.

As of August 23, 2011, the company has failed to do so and the Commission has taken no action to address the deficiency.

The Company's failure to cure the deficiency is a violation of R-14-2-407 (A) and (C).

Allegation IX

The Company is in violation of Commission Decision No. 71317 since April 30, 2010 for failing to obtain an ADEQ Certificate of Approval for the arsenic treatment facility.

Specifically, A.R.S. S40-321 reads:

When the commission finds that the equipment, appliances, facilities of service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

Additionally, A.A.C. R14-2-407 (A) and (C) require each public service corporation to provide potable water to customers and to supply a satisfactory and continuous level of service.

As of August 23, 2011, the company has failed to do so and the Commission has taken no action to address the deficiency.

The Company's failure to cure the deficiency is a violation of R-14-2-407 (A) and (C).

Allegation X

The Company provided false and misleading information to the Commission in response to a complaint filed on January 25, 2010 concerning the Company's failure to obtain all

necessary Yavapai County zoning permits prior to and after constructing Well No. 4 on a residential parcel.

ACC investigator Jenny Gomez asked the Company in an email:

"Did you obtain the proper County zoning and use permits prior to and after construction of the well? Was this handled properly? Please explain."

The Company responded stating:

"We obtained required permits to drill well. Approval to drill the well was obtained from Yavapai County." (Exhibit 18)

The Company failed to disclose to the ACC investigator that it had not yet obtained a zoning variance to operate a commercial business in a residential area.

The Company's incomplete and misleading statements to ACC investigators is a violation of R14-2-411.

Allegation XI

The Company illegally collected an arsenic surcharge from its customers in December 2009 in violation of Commission Decision No. 71317.

The Company levied a \$10.11 surcharge on a customer's bill after providing written notice that a monthly surcharge of \$6.41 would be charged to the average customer with a 5/8 x 3/4 inch hookup. (Exhibit 19)

The written notice included a copy of "NOTICE OF MONTEZUMA RIMROCK WATER COMPANY L.L.C'S APPLICATIONS FOR A RATE INCREASE AND FOR APPROVAL OF FINANCING".

The Notice included the following statement:

"Staff has also recommended approval of an Arsenic Remediation Surcharge Mechanism that would result in a monthly arsenic surcharge of \$6.41 for a customer served by a 5/8" x 3/4" meter, assuming a \$165,000 WIFA loan."

The inclusion of the Notice was an attempt by the Company to mislead its customers into believing they were required to pay the arsenic surcharge.

The Company knew, or should have known, that billing and collecting the arsenic surcharge violated Commission Decision No. 71317 (which was Docketed on Oct. 30, 2009).

PURSUANT TO ACC DECISION NO 71317, MRWC WAS ORDERED TO FILE AN

APPLICATION WITH THE COMMISSION FOR THE SURCHARGE:

"IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file the following with the Commission's Docket Control, as compliance items in this Docket, within 60 days after executing the documents finalizing the Water Infrastructure Finance Authority of Arizona loan:

- (1) an arsenic remediation surcharge application requesting approval of a surcharge that will provide the funds needed to enable Montezuma Rimrock Water Company, LLC to meet its principal and interest obligations on the loan, and*
- (2) copies of each executed loan document or agreement setting forth the terms of the financing obtained."*

The Company has never submitted an arsenic surcharge application nor has it filed copies of loan documents setting forth the financing obtained.

The surcharge did not appear in the January 2010 bill. It is unknown whether the improperly collected surcharge was refunded to the Company's customers.

The Company has never provided a formal explanation to the Commission or its Customers as to why it billed and collected an arsenic surcharge in December 2009.

Complainants request a full explanation and accounting of this illegal surcharge.

Allegation XII

For the second time, the Company illegally collected an arsenic surcharge from its customers when it billed customers in April 2011 in violation of Commission Decision No. 71317.

MRWC customer Ronald Garcia filed an informal complaint (Exhibit 20) with the Commission concerning an April 1, 2011 letter the Company sent to customers. In the letter, the Company stated:

"MRWC received approval from the Arizona Corporation Commission (ACC) to begin the arsenic surcharge in October, 2009 and chose not to begin implementing it in 2009. In order to proceed with the ATF, MRWC must now begin implementing the surcharge as approved by ACC."

The Company knew, or should have known, that this statement was false and an illegal attempt to collect the arsenic surcharge that clearly required Commission approval.

PURSUANT TO ACC DECISION NO 71317, MRWC WAS ORDERED TO FILE AN APPLICATION WITH THE COMMISSION FOR THE SURCHARGE:

"IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC

shall file the following with the Commission's Docket Control, as compliance items in this Docket, within 60 days after executing the documents finalizing the Water Infrastructure Finance Authority of Arizona loan:

- (1) an arsenic remediation surcharge application requesting approval of a surcharge that will provide the funds needed to enable Montezuma Rimrock Water Company, LLC to meet its principal and interest obligations on the loan, and*
- (2) copies of each executed loan document or agreement setting forth the terms of the financing obtained."*

The Company has never submitted an arsenic surcharge application nor has it filed copies of loan documents setting forth the financing obtained.

In response to an inquiry from Commission investigators, The Company stated:

"MRWC believed it was authorized to implement the surcharge based on Decision No. 71317 which was approved in October, 2009. MRWC implemented the arsenic surcharge on its April 1st, 2011, billing statement in order to provide the documentation to the private lending institution that it would be able to meet the debt service of the loan. MRWC has not entered into an agreement or signed any contracts with any private lending institutions incurring debt for the \$165,000 for the ATF."

The Company's assertion that it "believed it was authorized to implement the surcharge" is not a reasonable defense of its illegal action to collect funds from ratepayers.

In its statement to Commission investigators, the Company admits its true reason for implementing the surcharge:

"MRWC implemented the arsenic surcharge on its April 1st, 2011, billing statement in order to provide the documentation to the private lending institution that it would be able to meet the debt service of the loan."

The deceptive actions on two occasions to collect the arsenic surcharge undermine public confidence in the Company's ability and desire to honestly operate a public utility.

As of this date, the Commission has failed to impose *any* penalties whatsoever on the Company for this willful and self-serving violation of Decision No. 71317.

The Complainants request a full explanation and accounting of funds collected, spent and refunded in connection with this illegal action by the Company.

Allegation XIII

The Company constructed the vast majority of 2,500-foot pipeline on or about April 20, 2011 that is intended to connect Well No. 4 to the proposed arsenic treatment facility at Well No. 1.

Ms. Olsen stated in an August 10, 2011 Procedural Conference that she personally paid \$7,000 for the pipeline project. The Company has refused to provide a copy of the personal check requested by Mr. Dougherty in Docket Nos. W-04254A-08-0361 and W-0425A-08-0362. (Exhibit 21)

Ms. Olsen claims in documents submitted to the Commission in connection with Decision No. 71317 the pipeline would cost \$42,000.

The cost of the pipeline is included within the Company's budget for the \$165,000 loan for the arsenic treatment facility.

There is a conflict between the \$7,000 Ms. Olsen asserts she paid for approximately 90 percent of pipeline and the \$42,000 she claims is needed in the loan documentation.

If \$7,000 covers nearly the entire cost of the pipeline, then the Company has submitted materially false information to the Commission in its financing application used as a basis in Decision No. 71317.

If the Company has incurred debt for construction of the pipeline from the Contractor or any other source, it has done so without approval of the Commission in violation of Decision No. 67583.

The Complainants request a full accounting of all costs related to the construction of the pipeline, documentation of payments, copies of all contracts and written agreements with all contractors involved in the planning, engineering, surveying and construction of the pipeline.

Allegation XIV

The Company is improperly seeking a \$37,536 emergency rate increase to not only cover the possible costs of a private loan for the arsenic treatment facility, but to also include **ongoing operating losses** without the benefit of a full rate hearing and an ACC staff audit of its books that would normally be required in a formal rate hearing.

The \$37,536 emergency rate increase sought by the Company is more than double the \$16,562 annual increase that ACC staff determined in 2009 would be needed to repay the WIFA loan.

Based on a letter from Sunwest Bank included in the Company's emergency rate increase request, the Company needs \$23,503 to cover principle and interest on a \$165,000 loan at 7.5 percent payable in 10 years. (Exhibit 22) The WIFA loan was repayable over 20 years, reducing the monthly cost for ratepayers.

The Company also seeks to include an additional \$14,033 annual rate increase to cover ongoing operating losses. Inclusion of operating losses in an emergency rate increase purportedly to obtain a loan for the arsenic treatment facility should not be allowed.

As enumerated above, the root cause of the ongoing operating losses is excessive salaries paid to Company employees, excessive rent that benefits Ms. Olsen's ownership of a Rimrock residence and excessive expenses in connection with the Company's transportation expenses. Such expenses must be fully examined in a formal hearing rather than simply incorporated in the "back of the envelope" analysis that accompanies an emergency rate increase.

In 2009, staff explicitly stated that the arsenic surcharge it had developed for the Company for the WIFA loan and which was approved in Decision No. 71317 was revenue neutral.

"The arsenic surcharge is designed to only generate sufficient funds to provide for the interest expense and principal repayment on the WIFA loan. There is no change to the Company's current financial position as the entirety of the arsenic surcharge funds will be utilized for the debt financing, thus leaving the Company in exactly the same financial position it was in before the implementation of the surcharge."

June 15 2009 STAFF REPORT FOR MONTEZUMA RIMROCK WATER COMPANY L.L.C.'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W- 04254A-08-0361) AND FINANCING (DOCKET NO. W- 04254A-08-0362)

Furthermore, allowing the company to include ongoing operating losses in the emergency rate increase is contrary to Arizona Attorney General Opinion 71-17 that concludes with the following statement:

"Perhaps the only valid generalization on this subject is that interim rate relief is not merely because a company's rate of return has, over a period of time, deteriorated to the point that it is unreasonably low."

To include the Company's request for both an arsenic facility repayment fund and relief from years of ongoing operating losses in the emergency rate case violates AG Opinion 71-17 and is contrary to the intent of staff incorporated in Decision No. 71317 when it specifically designed the arsenic surcharge to be revenue neutral.

Complainant request the Company withdraw operating losses from it's application for an emergency rate increase.

Otherwise, Complainants request the Commission strip out operating losses from the Company's emergency rate increase request and prepare an arsenic relief surcharge that is revenue neutral.

Nature of Relief

On March 2, 2010, the Commission voted 5-0 to reject a request by the Company to extend a Dec. 31, 2009 deadline to file a copy of the Arizona Department of Environmental Quality Certificate of Approval of Construction for its new Well No. 4, as set forth in Decision No. 71317.

The Commission's affirmative action not to extend the deadline placed the Company out of compliance with Decision No. 71317.

During the discussion on what would happen if the Company failed to meet the deadline, Commission Staff Director Mr. Steve Olea stated:

"Staff's recommendation would be if they can't meet that date, then we would do an Order to Show Cause where they would have to show why they should either be given more time or why some other sanctions should not be imposed." (Exhibit 23, transcript to be filed)

Moments later in the hearing, in response to a question from Commissioner Kennedy asking what would happen if the Commission voted not to extend the deadline, Mr. Olea again stated that staff would have no choice but to prepare an Order to Show Cause:

"Madame Chair and Commissioner Kennedy: You asked the question what happened if you do nothing today. If you do nothing today, the company is out of compliance. At that point, when they are out of compliance, basically your doing nothing has told staff you're not going to give them the time extension."

"The only option, at least that I see staff has, is to do an Order to Show Cause because they are out of compliance. At that point we would do exactly what the judge said, we would list all the counts the company would have to respond to." (Exhibit 24, transcript to be filed)

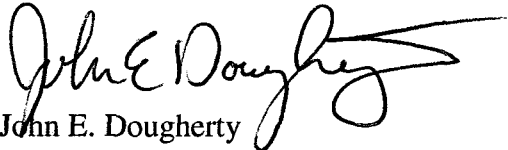
As of August 23, 2011, Montezuma Rimrock has not submitted a copy of the ADEQ Certificate of Approval of Construction for Well No. 4 and remains out of compliance with Commission Decision No. 71317.

Therefore, Given the fact that the Commission Staff publicly stated in Open Hearing the necessity for a Show Cause Hearing during the March 2, 2010 public hearing;

And, the additional information provided in the Complaint herein including Allegations (I-XIII) that are supported by substantial evidence of numerous violations of Commission Orders and Commission regulations;

Complainants respectfully request the Commission to schedule an Order to Show Cause Hearing to consider Revoking Montezuma Rimrock's Certificate of Convenience and Necessity and that such a Show Cause hearing be held *prior* to consideration of the Company's pending request for an Emergency Rate Increase.

Dated this 23rd Day of August, 2011.



John E. Dougherty
For the Complainants

Copies of the foregoing mailed
This 23rd day of August, 2011 to:

Douglas C. Fitzpatrick
LAW OFFICE OF DOUGLAS C. FITZPATRICK
49 Bell Rock Plaza
Sedona, AZ 8635 1
Attorney for Montezuma Rimrock Water Company, LLC

Patricia D. Olsen, Manager
MONTEZUMA RIMROCK WATER COMPANY, LLC
P.O. Box 10
Rimrock, AZ 86335

Exhibit 1



Yavapai County Development Services Department

500 S. Marina Street, Prescott, AZ. 86303/10 S. 6th Street, Cottonwood, AZ. 86326
(928) 771-3214 - (928) 639-8151

NOTICE OF VIOLATION

CASE #: V32009001136 APN #: 405-25-517 SUPERVISOR DISTRICT: 3 ZONING DISTRICT: R1L-10

DEFENDANT: MONTEZUMA RIMROCK WATER CO.

MAILING ADDRESS: P.O. BOX 10
RIMROCK, AZ 86335

PHONE:

BUSINESS:

BUSINESS &
ADDRESS:

BUSINESS PHONE:

SITUS STREET: CITY: STATE: ZIP:
ADDRESS: 4645 E. TIEMANN RD COTTONWOOD AZ 86326

RENTAL OPTION: RENTER OR LEASEES NAME TELEPHONE:
LEASE OPTION: & ADDRESS:

VACANT LAND: X

OWNER OCCUPIED:

UNOCCUPIED/ABANDONED STRUCTURE:

The undersigned certifies that the Defendant named herein ON MONTH 10 DAY 7 YEAR 2009
COMMITTED A VIOLATION(S) OF THE YAVAPAI COUNTY ZONING ORDINANCE OR OTHER COUNTY ORDINANCES OR CODES AS LISTED
BELOW: CIVIL PENALTIES MAY BE SET IN ACCORDANCE WITH STATE LAW FOR VIOLATIONS OF THE PLANNING AND ZONING ORDINANCE
(A.R.S. §11-808(D)) AND A.R.S. §11-866 FOR VIOLATIONS OF THE BUILDING CODES.

Yavapai County Planning & Zoning Ordinance Section(s)

Sec. 400 - Non-Permitted use or Disallowed Use

Sec. 664 - Outside Storage

I HEREBY CERTIFY THAT I HAVE REASONABLE GROUNDS TO BELIEVE AND DO BELIEVE THAT THE PERSON NAMED IN THE COMPLAINT
COMMITTED THE VIOLATION(S) DESCRIBED ABOVE. IF THE ABOVE VIOLATIONS ARE RESOLVED BY: 12/7/2009 THE BELOW
SCHEDULED HEARING WILL BE CANCELLED. TO DISCUSS REMEDIES CONTACT THE SPECIALIST.

SPECIALIST SIGNATURE

YOU MUST APPEAR BEFORE THE HEARING OFFICER AT THE:

YAVAPAI COUNTY ADMINISTRATIVE BUILDING
SUPERVISOR'S BOARD RM 1ST FLOOR
1015 FAIR STREET, PRESCOTT AZ 86305

Defendant may affirm or deny responsibility for the violation(s) and may be
by mail, or a notice of non-compliance with the defendant or the defendant's
attorney, admitting or denying the violation(s) listed in the above complaint.

YAVAPAI COUNTY DEVELOPMENT SERVICES PLANNING AND ZONING
500 S. MARINA STREET, PRESCOTT, AZ 86303

ON THE DATE AND TIME INDICATED BELOW:

NOTE: THE DEFENDANT OR THE DEFENDANT'S ATTORNEY MUST NOTIFY THE HEARING OFFICE IN WRITING AT LEAST 10 DAYS BEFORE
HEARING THAT THE DEFENDANT WILL BE REPRESENTED BY AN ATTORNEY.

MONTH 12 DAY 11 YEAR 2009 TIME 9:00:00AM

I CERTIFY THAT I HAVE SERVED THE COMPLAINT AND SUMMONS ALONG WITH THE HEARING OFFICER RULES OF PROCEDURE
OUTLINING THE DEFENDANT'S RIGHTS AND RESPONSIBILITIES AND SANCTIONS AND FINES THAT MAY BE IMPOSED AND THAT SERVICE
WAS DONE BY:



Personal Service



Certified Mail



Service by Sheriff Deputy



Property Posted

Signature

Jeanne Grossmayer

Printed Name

Date:

12/3/09

FEE
\$5
\$8
\$5
\$1
\$4

Recorded at the Request of
YAVAPAI TITLE AGENCY, INC.When Recorded Mail To:
YTA Loan Servicing Dept.
P.O. Box 1900
Sierra Vista, Arizona 85636

09000956-EJ

B-4335 P-429
Page: 1 of 5
DOT 3942665**DEED OF TRUST AND ASSIGNMENT OF RENTS**

October 19, 2005

TRUSTOR:**MONTEZUMA RIMROCK WATER CO., L.L.C., an Arizona limited liability company**

Whose mailing address is p.o. box 10, RIMROCK, ARIZONA 86335

TRUSTEE:**YAVAPAI TITLE AGENCY, INC., an Arizona corporation**

whose mailing address is P.O. Box 2019, Prescott, Arizona 86302

BENEFICIARY:**ANNA BARBARA BRUNNER, a single woman**

whose mailing address is P.O. BOX 20351, SEDONA, ARIZONA 86341

Property situated in the County of Yavapai, State of Arizona, as described as follows:

See Exhibit A attached hereto and made a part hereof.

Together with all buildings, improvements and fixtures thereon or hereinafter erected thereon.

Street address if any, or identifiable location of this property:

VACANT LAND, LAKE MONTEZUMA, AZ 86342

THIS DEED OF TRUST, made on the above date by, between and among the TRUSTOR, TRUSTEE and BENEFICIARY above named.

WITNESSETH: That Trustor hereby irrevocably grants, conveys, transfers and assigns to the Trustee in Trust, with Power of Sale, the above described real property (the Trust Property), together with leases, issues, profits, or income therefrom (all of which are hereinafter called "property income"): SUBJECT, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income; AND SUBJECT TO:

FOR THE PURPOSE OF SECURING:

- A. Payment of the indebtedness in the principal sum of \$ 32,000.00 evidenced by a Promissory Note or Notes of even date herewith, and any extension or renewal thereof, executed by Trustor in favor of Beneficiary or Order.
- B. Payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a Promissory Note or Notes reciting that they are secured by a Deed of Trust.
- C.
- D. Performance of each agreement of Trustor herein contained.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

1. To keep said property in good condition and repair; not to remove or demolish any building, thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer, or permit any act upon said property in violations of law; and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

Initials:

ABB

PDR



2. To provide, maintain, and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses of Beneficiary and Trustee, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear or be named, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

4. To pay: before delinquent, all taxes and assessments affecting said property; when due, all encumbrances, charges, and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees, and expenses of this Trust, including, without limiting the generality of the foregoing, the fees of Trustee for issuance of any Deed of Partial Release and Partial Reconveyance or Deed of Release and full Reconveyance, and all lawful charges, costs, and expenses in the event of reinstatement of, following default in, this Deed of Trust or the obligations secured hereby.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel, and pay his reasonable fees.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, together with interest from date of expenditure at the same rate as is provided for in the note or notes secured by this Deed of Trust or at the legal rate if it secures a contract or contracts other than a promissory note or notes. Any amounts so paid by Beneficiary or Trustee shall become a part of the debt secured by this Deed of Trust and a lien on said premises or immediately due and payable at option of Beneficiary or Trustee.

IT IS MUTUALLY AGREED:

6. That any award of damages in connection with any condemnation or any such taking, or for injury to the property by reason of public use, or for damages for private trespass or injury thereto, is assigned and shall be paid to Beneficiary as further security for all obligations secured hereby (reserving unto the Trustor, however, the right to sue therefor and the ownership thereof subject to this Deed of Trust), and upon receipt of such moneys Beneficiary may hold the same as such further security, or apply or release the same in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

7. That time is of the essence of this Deed of Trust, and that by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

8. That at any time or from time to time, and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note(s) for endorsement, and without liability therefor, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, and without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by the Trustee's action be credited on the indebtedness, the Trustee may: (a) release and reconvey all or any part of said property; (b) consent to the making and recording, or either, of any map or plat of the property or any part thereof; (c) join in granting any easement thereon; (d) join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance, or charge hereof.

9. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note(s) to Trustee for cancellation, and upon payment of its fees, Trustee shall release and reconvey, without covenant or warranty, express or implied, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

10. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power, and authority, during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such property income, including that past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income, and the application thereof as aforesaid, shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

Initials:

ABB

ADA



11. That upon default by Trustor in the payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice thereof, setting forth the nature thereof, and of election to cause to be sold said property under this Deed of Trust. Beneficiary also shall deposit with Trustee this deed of Trust, said note(s), and all documents evidencing expenditures secured hereby.

Trustee shall record and give notice of Trustee's sale in the manner required by law, and after the lapse of such time as may then be required by law, subject to the statutory rights of reinstatement, the Trustee shall sell, in the manner required by law, said property at public auction at the time and place fixed by it in said notice of Trustee's sale to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to such purchaser its Deed conveying the property so sold, but without any covenant or warranty, expressed or implied. Any persons, including Trustor, Trustee, or Beneficiary, may purchase at such sale.

After deducting all costs, fees, and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale and reasonable attorney's fees, Trustee shall apply the proceeds of sale to payment of: All sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. 33-812. To the extent permitted by law, an action may be maintained by Beneficiary to recover a deficiency judgment for any balance due hereunder.

In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available him hereunder and at law or in equity. All rights and remedies shall be cumulative.

12. That Beneficiary may appoint a successor Trustee in the manner prescribed by law. A successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, rights, powers, and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor, by registered or certified mail, and by recordation of a Notice of Resignation of Trustee in the office of the County Recorder in each County in which trust property or some part thereof is situated.

13. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder of the note(s) secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

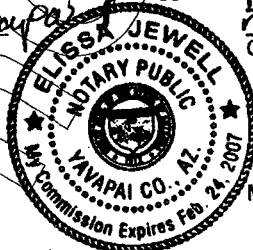
14. That Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

The undersigned Trustor requests that a copy of any notice of Trustee's sale hereunder be mailed to him at his address hereinbefore set forth.

MONTEZUMA RIMROCK WATER CO., L.L.C.,
An Arizona Limited Liability Company

[Signature]
By: _____ Trustor
As its: Manager

STATE OF ARIZONA }
County of Yavapai } ss



This instrument was acknowledged before me this 7th day
of Nov, 2005 by
Patricia D. Arlas as its
Managing Member of MONTEZUMA RIMROCK WATER
CO., L.L.C., an Arizona Limited Liability Company

[Signature]
Notary Public
My commission will expire Feb 24 2007

STATE OF ARIZONA }
County of _____ } ss

This instrument was acknowledged before me this _____ day
of _____ by _____

Notary Public
My commission will expire _____



ACCEPTED AND APPROVED

Beneficiary

Anna Barbara Brunner
ANNA BARBARA BRUNNER

Beneficiary

STATE OF ARIZONA

County of Maricopa

} ss



This instrument was acknowledged before
me this 27 day of October, 2005 by
ANNA BARBARA BRUNNER

[Signature]

(Notary Public)

My commission expires: Feb 24, 2007

"Unofficial"



Exhibit A

Lot 500, LAKE MONTEZUMA ESTATES, UNIT TWO, according to the plat of record in Book 13 of Maps, page 30, records of Yavapai County, Arizona.

EXCEPT all minerals, ores and metals of every kind and character, and all coal, asphaltum, oil, gases, fertilizers, fossils and other like substances in or under said land as reserved in Patent from the United States of America.

"UnOfficial Copy"

Exhibit 3

AFFIDAVIT OF PROPERTY VALUE

<p>1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(s)</p> <p>Primary Parcel: <u>405-25-517</u></p> <p>BOOK MAP PARCEL SPLIT LETTER</p> <p>Does this sale include any parcels that are being split / divided?</p> <p>Check one: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> X</p> <p>How many parcels, other than the Primary Parcel, are included in this sale? _____</p> <p>Please list the additional parcels below (no more than four):</p> <p>(1) _____ (3) _____</p> <p>(2) _____ (4) _____</p> <p>2. SELLER'S NAME AND ADDRESS</p> <p><u>ANNA BARBARA BRUNNER</u></p> <p><u>P.O. Box 20351</u></p> <p><u>Sedona, AZ 86341</u></p> <p>3. (a) BUYER'S NAME AND ADDRESS:</p> <p><u>MONTEZUMA RIMROCK WATER CO., L.L.C.</u></p> <p><u>P.O. Box 10</u></p> <p><u>Rimrock, AZ 86335</u></p> <p>(b) Are the Buyer and Seller related? Yes _____ No <input checked="" type="checkbox"/> X</p> <p>If Yes, state relationship: _____</p> <p>4. ADDRESS OF PROPERTY:</p> <p><u>VACANT LAND, LAKE MONTEZUMA, AZ 86342</u></p> <p>5. MAIL TAX BILL TO:</p> <p><u>MONTEZUMA RIMROCK WATER CO., L.L.C.</u></p> <p><u>VACANT LAND</u></p> <p><u>LAKE MONTEZUMA, AZ 86342</u></p> <p>6. PROPERTY TYPE (for Primary Parcel): NOTE: Check Only One Box</p> <p>a. <input checked="" type="checkbox"/> X Vacant Land f. <input type="checkbox"/> Commercial or Industrial Use</p> <p>b. <input type="checkbox"/> Single Family Residence g. <input type="checkbox"/> Agriculture</p> <p>c. <input type="checkbox"/> Condo or Townhouse h. <input type="checkbox"/> Mobile or Manufactured Home</p> <p>d. <input type="checkbox"/> 2-4 Plex i. <input type="checkbox"/> Other Use; Specify: _____</p> <p>e. <input type="checkbox"/> Apartment Building</p> <p>7. RESIDENTIAL BUYER'S USE: If you checked b, c, d or h in Item 6 above, please check <u>one</u> of the following:</p> <p><input type="checkbox"/> To be occupied by owner or "family member." <input type="checkbox"/> To be rented to someone Other than "family member."</p> <p>See reverse side for definition of a "family member."</p> <p>8. NUMBER OF UNITS: _____</p> <p>For Apartment Properties, Motels, Hotels, Mobile Home Parks, RV Parks, Mini-Storage Properties, etc.</p>	<p>9. FOR OFFICIAL USE ONLY: Buyer and Seller leave blank</p> <p>(a) County of Recordation: <u>13</u></p> <p>(b) Docket & Page Number: <u>4335-428</u></p> <p>(c) Date of Recording: <u>11-16-05</u></p> <p>(d) Fee/Recording Number: <u>3942663</u></p> <p>Validation Codes:</p> <p>(e) ASSESSOR _____ (f) DOR _____</p> <p>ASSESSOR'S USE ONLY</p> <p>Verify Primary Parcel in Item 1: _____</p> <p>Use Code: _____ Full Cash Value: \$ _____</p> <p>10. TYPE OF DEED OR INSTRUMENT (Check Only One Box):</p> <p>a. <input checked="" type="checkbox"/> X Warranty Deed d. <input type="checkbox"/> Contract or Agreement</p> <p>b. <input type="checkbox"/> Special Warranty Deed e. <input type="checkbox"/> Quit Claim Deed</p> <p>c. <input type="checkbox"/> Joint Tenancy Deed f. <input type="checkbox"/> Other: _____</p> <p>11. SALE PRICE: \$ <u>35,000.00</u></p> <p>12. DATE OF SALE (Numeric Digits): <u>10</u> / <u>10</u> / <u>2005</u></p> <p>Month Year</p> <p>(For example: 03 / 05 for March 2005)</p> <p>13. DOWN PAYMENT: \$ <u>3,000.00</u></p> <p>14. METHOD OF FINANCING:</p> <p>a. <input type="checkbox"/> Cash (100% of Sale Price) e. <input type="checkbox"/> New loan(s) from financial institution: (1) <input type="checkbox"/> Conventional (2) <input type="checkbox"/> VA (3) <input type="checkbox"/> FHA</p> <p>b. <input type="checkbox"/> Exchange or Trade f. <input type="checkbox"/> Other financing; Specify: _____</p> <p>c. <input type="checkbox"/> Assumption of existing loans</p> <p>d. <input checked="" type="checkbox"/> X Seller Loan (Carryback)</p> <p>15. PERSONAL PROPERTY (see reverse side for definition):</p> <p>(a) Did the Sale Price in Item #11 include Personal Property that impacted the Sale Price by 5% or more? Yes _____ No <input checked="" type="checkbox"/> X</p> <p>(b) If Yes, provide the dollar amount of the Personal Property: \$ <u>00</u> AND</p> <p>briefly describe the Personal Property: _____</p> <p>16. PARTIAL INTEREST: If only a partial ownership interest is being sold, Briefly describe the partial interest: _____</p> <p>17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone):</p> <p><u>YAVAPAI TITLE AGENCY, INC.</u></p> <p><u>527 S. Main St., Camp Verde, AZ 86322</u></p> <p>Phone (928) 567-0590</p> <p>18. LEGAL DESCRIPTION (attach copy if necessary):</p> <p>See Exhibit A attached hereto and</p>
---	---

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Anna Barbara Brunner
Signature of Seller/Agent

State of Arizona, County of Yavapai

Subscribed and sworn to before me this 16 day of November, 2005

Notary Public [Signature]

Notary Expiration Date Feb 24, 2007

[Signature]
Signature of Buyer/Agent

State of Arizona, County of Yavapai

Subscribed and sworn to before me this 16 day of November, 2005

Notary Public [Signature]

Notary Expiration Date Feb 24, 2007

Exhibit 4

DUPLICATE TAX BILL

2010 PROPERTY TAX NOTICE

ARIZONA

BOOK	PARCEL # MAP	PARCEL	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE		
405-25-517	2		02690	5.7819	3.8528		PRIMARY PROPERTY TAX	220.94
							LESS STATE AID TO EDUCATION	.00
							NET PRIMARY PROPERTY TAX	220.94
							SECONDARY PROPERTY TAX	240.40
							SPECIAL DISTRICT TAX	.00
							TOTAL TAX DUE FOR 2010	461.34

	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	TAX
LIMITED LAND, BLDGS, ETC.	23,884	16.0	3,821	0	5.7819	220.94
LIMITED PERSONAL PROPERTY	0	.0	0	0	.0000	.00
LIMITED TOTALS	23,884		3,821	0		220.94
FULL CASH LAND	39,000	16.0	6,240	0	3.8528	240.40
FULL CASH BUILDINGS, ETC.	0	.0	0	0	.0000	.00
FULL CASH PERSONAL PROPERTY	0	.0	0	0	.0000	.00
FULL CASH TOTALS	39,000		6,240	0		240.40

	JURISDICTION	2009 TAXES	2010 TAXES
11213	MONTEZUMA-RIMROCK F.D.	135.64	163.40
05026	BEAVER CREEK ELEM.S.D.#26	100.06	151.94
08150	YAVAPAI COMMUNITY COLLEGE	42.45	55.78
02000	YAVAPAI COUNTY	38.73	51.68
02001	SCHOOL EQUALIZATION	9.97	13.62
15001	YAVAPAI FLOOD CONTROL DISTRICT	10.75	12.44
14900	YAVAPAI CTY. LIBRARY DISTRICT	6.34	7.41
11900	FIRE DIST. ASSIST. FUND	4.62	5.07

Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305

THIS IS A
CALENDAR YEAR
TAX NOTICE

TOTALS 348.56 461.34

MONTEZUMA RIMROCK WATER CO LLC
PO BOX 10
RIMROCK

AZ 86335

PAYMENT INSTRUCTIONS

To pay the 1st half installment and full year tax notices of \$100 or less, send the coupon below with your payment postmarked no later than Nov. 1, 2010. To pay the 2nd half installment, send the coupon below with your payment postmarked no later than May 2, 2011. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the coupon below with your payment postmarked no later than Jan. 3, 2011 and no interest will be charged for current year.

Make your check payable to and mail to:
Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR
PARCEL NUMBER
ON YOUR CHECK.

2010 TAX PAYMENT COUPON

MONTEZUMA RIMROCK WATER CO LLC
05-25-517 2 0120502

Delinquency Date First Half Payment

Penalty for late payment is 16% per year prorated monthly is of the 1st day of the month for payments postmarked after 5:00 P.M. November 1, 2010 (ARS 42-18052 and 2-18053).

Delinquency Date Second Half Payment

Penalty for late payment is 16% per year prorated monthly is of the 1st day of the month for payments postmarked after 5:00 P.M. May 2, 2011 (ARS 42-18052 and ARS 2-18053).

Any total property tax notice of \$100 or less must be paid in full no later than November 1, 2010 at 5:00P.M.

Permit one full year payment for billed amounts over \$100 by Jan. 3, 2011 and no interest will be charged for current year.

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Make check payable to:

Ross D. Jacobs, Yavapai County Treasurer

TO PAY 1ST HALF ONLY (DUE OCT 1, 2010) PAY 230.67

TO PAY 2ND HALF ONLY (DUE MAR 1, 2011) PAY 230.67

TO PAY FULL YEAR TAX (IF PAID BY DEC 31, 2010) PAY 461.34

Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305



4052551702

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-04254A

m

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

RECEIVED

APR 10 2009

AZ CORP COMM
Director, Utilities

ANNUAL REPORT
WATER

FOR YEAR ENDING

12	31	2008
----	----	------

FOR COMMISSION USE

ANN 04	08
--------	----

PROCESSED BY:

4-13-09

SCANNED

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	10,321	7,712
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	650	976
	TOTAL CURRENT LIABILITIES	\$ 10,971	\$ 8,689
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	29,605	29,511
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	114,281	104,711
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 143,866	\$ 113,460
	TOTAL LIABILITIES	\$ 154,856	\$ 142,971
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<37,724>	<47,376>
218	Proprietary Capital (Sole Props and Partnerships)	109,891	107,968
	TOTAL CAPITAL	\$ 72,167	\$ 60,592
	TOTAL LIABILITIES AND CAPITAL	\$ 227,023	\$ 203,563

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 24,758

Meter Deposits Refunded During the Test Year \$ 3,097

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

M

W-04254A
Montezuma Rimrock Water Company, LLC
P.O. Box 10
Rimrock, AZ 86335

RECEIVED

APR 14 2010

AZ CORP COMM
Director Utilities

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2009
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FOR COMMISSION USE

ANN 04	09
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4-19-10 Lhm

COMPANY NAME Montezuma Rimrock Water Company LLC

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$ 0	\$ 1909
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	7712	19341
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	976	
	TOTAL CURRENT LIABILITIES	\$ 8689	\$ 21,250
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	29511	65327
255	Accumulated Deferred Investment Tax Credits	104771	281777
271	Contributions in Aid of Construction		<72508>
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 113,460	\$ 274,596
	TOTAL LIABILITIES	\$ 142,971	\$ 295,846
	CAPITAL ACCOUNTS		
201	Common Stock Issued 2007 Rate Case Adjustments	\$ 0	\$ <106,946>
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<47376>	<2552>
218	Proprietary Capital (Sole Props and Partnerships)	107,968	108,705
	TOTAL CAPITAL	\$ 60,592	\$ <793>
	TOTAL LIABILITIES AND CAPITAL	\$ 203,563	\$ 295,053

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 24,111

Meter Deposits Refunded During the Test Year \$ 3,047

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-04254A

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010
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FOR COMMISSION USE

ANN 04	10
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4-14-11

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 1909	\$ 2000
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	19341	26855
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 21250	\$ 27055
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$ 28611
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	65327	28575
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	281777	252556
272	Less: Amortization of Contributions	<72508>	<73388>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 274596	\$ 207743
	TOTAL LIABILITIES	\$ 295846	\$ 263209
	CAPITAL ACCOUNTS		
201	Common Stock Issued 2007 Rate Case Adjustments	\$ <106,946>	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<2552>	4712
218	Proprietary Capital (Sole Props and Partnerships)	108705	40444
	TOTAL CAPITAL	\$ <793>	\$ 45156
	TOTAL LIABILITIES AND CAPITAL	\$ 295,053	\$ 310,365

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 20,372

Meter Deposits Refunded During the Test Year

\$ 3,189

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-04254A

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010
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FOR COMMISSION USE

ANN 04	10
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4-14-11

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$ 1909	\$ 2000
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251	Unamortized Premium on Debt	\$	\$
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255	Accumulated Deferred Investment Tax Credits		
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281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 274596	\$ 207743
	TOTAL LIABILITIES	\$ 295846	\$ 263209
	CAPITAL ACCOUNTS		
201	Common Stock Issued 2007 Rate Case Adjustments	\$ <106,946>	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<2552>	4712
218	Proprietary Capital (Sole Props and Partnerships)	108705	40444
	TOTAL CAPITAL	\$ <793>	\$ 45156
	TOTAL LIABILITIES AND CAPITAL	\$ 295,053	\$ 310,365

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 103,346	\$ 101,961
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 103,346	\$ 101,961
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 27,141	\$ 14,802
610	Purchased Water	1,029	994
615	Purchased Power	7,086	6,600
618	Chemicals	175	610
620	Repairs and Maintenance	5,590	19,490
621	Office Supplies and Expense	10,546	9,620
630	Outside Services	817	7,132
635	Water Testing	2,118	2,675
641	Rents	4,950	5,800
650	Transportation Expenses	8,654	9,279
657	Insurance – General Liability	00	5,897
659	Insurance - Health and Life	4,435	3,902
666	Regulatory Commission Expense – Rate Case	2,615	1,870
675	Miscellaneous Expense	3,540	2,675
403	Depreciation Expense	7,109	10,935
408	Taxes Other Than Income	6,775	9,020
408.11	Property Taxes	3,075	3,484
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 95,654	\$ 114,785
	OPERATING INCOME/(LOSS)	\$ 7,692	\$ <12,824>
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 31	\$ 0
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<731>	<292>
427	Interest Expense	0	<2,244>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <700>	\$ <2,536>
	NET INCOME/(LOSS)	\$ 6,992	\$ <15,360>

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-04254A

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010
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FOR COMMISSION USE

ANN 04	10
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4-14-11

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 20,372

Meter Deposits Refunded During the Test Year

\$ 3,189

Montezuma Rimrock Water Company, LLC – DW 088-2010

Financial Capacity Addendum – NGO

Financial Capacity is the capability of the system to acquire and manage sufficient financial resources to maintain compliance with lending requirements, regulatory concerns, managerial concerns, and with technical requirements.

1. Enclose the following Audited Financial Statements and/or Annual Reports with the application:

X Current Year, if available() 2009 X 2008 X 2007 X 2006 X 2005

2. Enclose the following Monthly Financial Data with the application:

X Monthly Revenue Data for the most recent 12 months.
X Monthly Operating Expenditure Data for the most recent 12 months.

3. Explain if any unusual, atypical or one-time expenses were incurred in the past five years that impacted the net operating revenues of the system:

None

4. Enclose the following operating budgets:

X Current fiscal year budget.
X Proposed or approved budget for the next fiscal year.

5. Enclose the Tariff Schedule with the application.

Enclosed

**6. Summarize what action is taken against delinquent ratepayers? Are other measures legally available? Late charges are applied to customers balance.
Deposit required from all customers; 2.5 times amount of the average monthly bill.**

7. Enclose the following Bank Statements with the application:

X Most Recent End-of-Year Bank Statement
X Most Recent Monthly Statement

8. Enclose evidence of insurance coverage for the system and its operations.
Enclosed

9. Enclose copies of loan agreements, notes, and any other documentation for any indebtedness payable by the System.
None



EXHIBIT 1

LOT 500
LAKE MONTEZUMA ESTATES UNIT 2

BOOK 13 OF MAPS, PAGE 30, YOR
 SECTION 36
 TOWNSHIP 15 NORTH, RANGE 5 EAST, GILA & SALT RIVER
 BASE & MERIDIAN, YAVAPAI COUNTY, ARIZONA

405-25-517

LOCATION: 4645 E THEMANN LN

AUX WELL APPARENTLY ABANDONED 2006

WELL LOCATION MAR 2008

LOCATION AS INDICATED ON SITE PLAN

REDUCED COPY NOT TO SCALE

SEPTIC SYSTEM
 APN # 405-25-515A

499

WC | FT

PBM

- LEGEND**
- ▲ 15" REBAR, NO ID, ATTACHED CAP LS 23378
 - 1/2" REBAR WITH CAP LS 5357
 - 1/2" REBAR W/CAP AS NOTED
 - ✱ WITNESS CORNER 1 FT FROM PT MARKED ON TRANS. PROPERTY CORNER FALLS IN TRANSFORMER.
 - 3/8" REBAR, TAGGED LS 32230
 - M - FROM FILE R - RECORD

SW CORNER OF TRANSFORMER PAD

PBM - 34.78.33

TOP OF WELL CASING (2006)

MAR06 AUX - 34.77.65

TOP OF WELL CASING (2008)

WELL MAR08 - 34.81.62

RM134 - ALUM CAP CENTER OF KRAMER
 FIRM BENCHMARK

RM 134 - 34.73.96

487

SEPTIC SYSTEM
 APN # 405-25-503A

486

485

SEPTIC SYSTEM
 APN # 405-25-501A

PLOT PLAN DISTANCES
 FROM MID POINT OF LOT LINE
 TO PROPOSED WELL FALL
 WITHIN ESTIMATED ERROR SHOWN BELOW.

501

VACANT

[THERE IS NO PLACE ON
 LOT 500 THAT IS 50'
 FROM THE ADJOINING
 PARCELS]

digitally sealed
 3/1/2010

REVISED 3/1/2010
 REVISED 3/1/2010



Ivo W. Buddede III, R.L.S.
 LAND SURVEYOR

928 567-1414
 5280 Bentley Dr., Rimrock, Arizona 86335

Exhibit 9

Yavapai County Water Well Code requirements:

Reg. 1-2-203 Minimum Distance Requirements

A. Property Boundary Setbacks

No well shall be approved for construction in a location less than 50' from the property boundaries of the parcel on which the well is proposed for construction, except as provided for below:

1. For a parcel that abuts a dedicated roadway upon which the public has the right of travel, the 50' property boundary setback shall be measured from the center of the area dedicated for roadway.
2. For a parcel that abuts a railway, the 50' property boundary setback shall be measured from the center of the area dedicated for railway.
3. No property boundary setback shall be required for a parcel that abuts an area served by a sewer system provided that:
 - (A) all habitable structures are serviced by the sewer system, and
 - (B) all future development of the area is required to be served by the sewer system.
4. Waiver is obtained from abutting property owners establishing a legally enforceable easement and right of encroachment into all or part of the abutting property boundary setback. Where abutting property owners have agreed to not locate a septic system within 100' of the proposed well, the property boundary setback requirement may be reduced to 0'. The exact amount by which the property boundary is reduced from 50' is dependent upon maintaining 100' separation between the well and any current or future septic system. The abutting property owner agreement must be recorded in the official records of the County.

YAVAPAI COUNTY

Development Services

Prescott Office -

500 S. Marina Street, Prescott, AZ 86303
(928) 771-3214 Fax: (928) 771-3432



Cottonwood Office -

10 S. 6th Street, Cottonwood, AZ 86326
(928) 639-8151 Fax: (928) 639-8153

Addressing – Building Safety – Customer Service & Permitting – Environmental – Land Use – Planning

April 5, 2011

Montezuma Rimrock Water Co LLC
Patricia D. Olsen
PO Box 10
Rimrock, AZ 86335

RE: Well #4 Use Permit Administrative Extension on APN#405-25-517 HA#H9139

Dear Patricia Olsen:

This letter is being written to notify you of the administrative extension of your approved Use Permit, hearing application number HA# H9139, for the period of one (1) year to get the well online of the Montezuma Rimrock Water Company Well #4 in order to obtain a Certificate of Compliance to expire on April 5, 2012. The Board of Supervisors approved your request to construct a well site to service the Montezuma Rimrock Water Company on March 15, 2010.

Stipulation number 5 of the approval states "Certificate of Compliance to be issued within one year of Board of Supervisors approval demonstrating that the use is operating in compliance with all applicable local, state and federal regulations". According to our records the water company is still working to get the well site operational.

If you have any questions or concerns please feel free to contact me.

Sincerely,

Tammy DeWitt, Planner
Yavapai County Development Services
Planning and Design Review
Phone (928) 639-8151 Fax (928) 639-8153
E-mail: Tammy.DeWitt@co.yavapai.az.us

1 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

2 IN AND FOR THE COUNTY OF YAVAPAI

3 JOHN DOUGHERTY;
4 FREDERICK SHUTE,

5 Plaintiffs,

6 vs.

7 YAVAPAI COUNTY BOARD OF
8 SUPERVISORS; MONTEZUMA
9 RIMROCK WATER COMPANY,
LLC, JOHN DOES 1-10,

10 Defendants.

)
)
)
) No. P1300CV201000585

)
) Division IV
)
)
)
)
)
)

11
12
13 **REPORTER'S TRANSCRIPT OF PROCEEDINGS**

14
15 **BEFORE: THE HONORABLE KENTON D. JONES**
16 **Judge of the Superior Court**

17
18 **ORAL ARGUMENT**

19
20 Prescott, Arizona

21 April 21, 2011

22 9:04 a.m.
23
24
25

1 MR. FIELDS: Um-hmm.

2 THE COURT: Is that a yes?

3 MR. FIELDS: That's correct.

4 THE COURT: Okay. Because you understand

09:41:33 5 that at some point that issue's going to have to be
6 raised, correct?

7 MR. FIELDS: That issues's going to have to

8 be raised. They will either need the encroachment, and

9 we have assured them, and they need a Certificate of

09:41:47 10 Compliance, by the way, from us, they need a Certificate
11 of Compliance in order to operate the well.

12 THE COURT: To turn the switch on.

13 MR. FIELDS: That's correct. And part of

14 that, part of that Certificate of Compliance is going to

09:41:59 15 be do you meet the setback requirements. They got

16 essentially, Mr. Shanker's right, they can't meet it

17 just by simply saying hey, here we go, because it's too

18 small a parcel. They have to meet it. They have to

19 have an encroachment easement, and if they have one they

09:42:17 20 can operate that well. They are not operating the well

21 at this point so there is no violation of the Water Well

22 Code. That's why it's important to distinguish between

23 county zoning action which allows them to do certain

24 construction and prepare for the well, because you can

09:42:33 25 do that, and operation of the well itself, which is --

1 understand that this could be throwing good money after
2 bad, that they don't have approval to operate this well,
3 and the fact that they've built this pipeline and are
4 building an arsenic plant and installing a well, I
10:17:51 5 suspect, will weigh heavily in the County's
6 decision-making process when it comes time. Well, it's
7 already past time.

8 THE COURT: I guess that's why it's a good
9 thing we've got separation of powers, isn't it?

10:18:05 10 MR. SHANKER: Yes, Your Honor.

11 THE COURT: And Mr. Fields, does this Court
12 have your avowal as you previously asserted that that
13 well does not get turned on until such time as a
14 Certificate of Compliance issues?

10:18:18 15 MR. FIELDS: That is what the Board of
16 Supervisors has instructed Development Services, that
17 they need -- and it's in the conditional use,
18 conditional approval of the Use Permit, that they need a
19 Certificate of Compliance.

10:18:31 20 THE COURT: And so then it would simply be,
21 as I'm perceiving it, and "simply," I don't mean to
22 mean -- to debase the position of the plaintiffs at all,
23 that the issue then would be that any cost would be
24 simply costs that MRWC chose to incur pending the
10:18:55 25 decision of this Court.

APR 21 2011

ORIGINAL FILED THIS _____
 DAY OF _____
 JEANNE HICKS
 Clerk Superior Court
 By ROBERT JO BALL
 Deputy

Howard M. Shanker (#015547)
 THE SHANKER LAW FIRM, PLC.
 700 East Baseline Road, Bldg. B
 Tempe, Arizona 85283
 Phone: (480) 838-9300
 Facsimile: (480) 838-9433
howard@shankerlaw.net

Counsel for Plaintiffs

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
 IN AND FOR THE COUNTY OF YAVAPAI

JOHN DOUGHERTY; FREDERICK
 SHUTE;

Plaintiffs,

v.

YAVAPAI COUNTY BOARD OF
 SUPERVISORS; MONTEZUMA
 RIMROCK WATER COMPANY, LLC,
 JOHN DOES 1-10,

Defendants.

No. P1300CV201000585

PLAINTIFFS' NOTICE OF
 FILING SUPPLEMENTAL
 EVIDENCE

(Assigned to Hon. Kenton Jones)

At oral argument on April 21, 2011, the County raised, for the first time, the prospect of a waiver under the Water Well Code. Notwithstanding that the Code requires that any such waiver be made prior to "construction," the attached letter, dated March 9, 2010 (6 days before the Board of Supervisor's hearing on this issue), from Nick Kopko makes clear that he will not sign a waiver. Mr. Kopko is an abutting property owner.

...

...

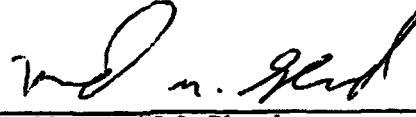
PLAINTIFFS' NOTICE OF FILING
 SUPPLEMENTAL EVIDENCE

- 1 -

THE SHANKER LAW FIRM, PLC.
 700 EAST BASELINE ROAD, Bldg. B • TEMPE, AZ 85283
 TELEPHONE (480) 838-9300 • FACSIMILE (480) 838-9433
howard@shankerlaw.net

1 Respectfully Submitted this 21st day of April 2011.

2 THE SHANKER LAW FIRM, P.L.C.

3
4 By 

5 Howard M. Shanker
6 THE SHANKER LAW FIRM, PLC.
7 700 East Baseline Road, Bldg. B
8 Tempe, AZ 85283
9 Ph: (480) 838-9300
10 Fax: (480) 838-9433

11 Counsel for Plaintiffs

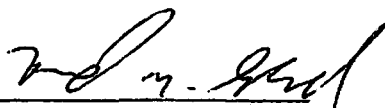
12 Original and two copies of the foregoing
13 Sent via hand-delivery this 21st day of April, 2011 to:

14 Clerk of the Court
15 Yavapai County Superior Court
16 120 S. Cortez Street
17 Prescott, AZ 86303

18 COPY of the foregoing sent via U.S. mail this
19 21st day of April, 2011 to:

20 Jack H. Fields,
21 Deputy County Attorney
22 Office of the Yavapai County Attorney
23 255 E. Gurley Street, Ste. 300
24 Prescott, AZ 86301
25 (Attorney for Yavapai County Defendants)

26 Douglas Fitzpatrick
49 Bell Rock Plaza
Sedona, AZ 86351
(Attorney for Montezuma Rimrock Water Co.)

By 

PLAINTIFFS' NOTICE OF FILING
SUPPLEMENTAL EVIDENCE

- 2 -

THE SHANKER LAW FIRM, PLC.
700 EAST BASELINE ROAD, Bldg. B • TEMPE, AZ 85283
TELEPHONE (480) 838-9300 • FACSIMILE (480) 838-9433
howard@shankerslaw.net

Mr. Steve Mauk, Director
Development Services
Yavapai County
500 S. Marina St.
Prescott, AZ 86303

RE: h9139 Complaint based on Notice of Intent to drill Well Approval
(ADWR # 55-213141)

Dear Mr. Mauk:

After a review the plot plan attached to the Notice of Intent to drill and the exhibit prepared by Ivo Buddeke I formally request the County investigate and enforce setback requirements for new wells as prescribed in the county water well code. I wish to retain any right I may have gained to use that part of my property affected by the abandonment of the old well on Parcel 405-25-517. I intend to use my property to the full extent in the area affected by the alleged violation of the 50 foot setback.

Furthermore, I have not signed a waiver releasing my interest to Montezuma Rimrock Water Company nor do I intend to do so in the future. I wish to retain my right to expand my on-site septic system within the limits of the ordinance governing such expansion and I request that the ordinance be enforced regarding the alleged violation.

As a party directly affected by the alleged violation I request you vote no on approving the special use permit. Please send this matter back to the Planning & Zoning Commission for reconsideration. If the allegation is true their decision recommending approval for the special use permit is in direct conflict with the setback requirement and violates my ability to use the full extent of my property.

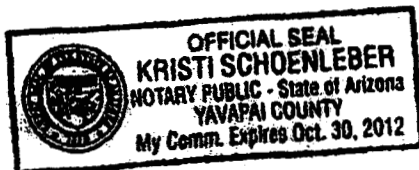
Sincerely;

Nick Kopko, property owner, APN 405-25-501A

Executed this 9 day of MARCH, 2010, William N. Kopko 3-9-2010
William N. Kopko date

State of Arizona)
County of Yavapai) ss.

Subscribed and affirmed before me this 9th day of March, 2010 by
William N. Kopko, proved to me on the basis of satisfactory evidence to
be the person(s) who appeared before me. Kristi Schoenleber 3/9/2010
Notary Public date



My Commission expires: 10/30/2012

ORDER

IT IS THEREFORE ORDERED that the following rates and charges are approved, and Montezuma Rimrock Water Company, LLC shall file, on or before November 1, 2009, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$ 27.25	←
3/4" Meter	40.88	
1" Meter	68.13	
1 1/2" Meter	136.25	
2" Meter	218.00	
3" Meter	436.00	
4" Meter	681.25	
6" Meter	1,362.50	

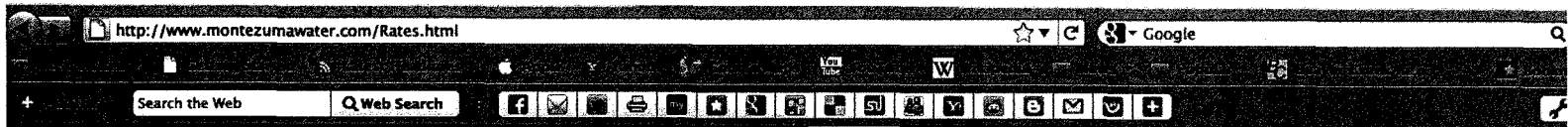
COMMODITY RATES: (Per 1,000 Gallons)

1 to 4,000 Gallons	\$1.50
4,001 to 10,000 Gallons	2.50
Over 10,000 Gallons	4.00

SERVICE LINE AND METER INSTALLATION CHARGES:¹⁷

(Refundable pursuant to A.A.C. R14-2-405)
Service

AS OF
8/23/11



Service Rates and Fees

Base Monthly Service Charges and Miscellaneous Fees
as established by the Arizona Corporation Commission in
Docket # W-02064A-01-0787

Base Monthly Service Charges and Miscellaneous Fees
as established by the Arizona Corporation Commission in
Docket # W-02064A-01-0787

Base Monthly Service Charges

Meter Size	Base Monthly Service Charges
3/4"	\$40.88
1"	\$68.13
1 1/2"	\$136.25
2"	\$216.39
3"	\$408.75
4"	\$618.25
6"	\$1,362.50

Gallage Charge – per 1,000 Gallons \$1.85

Miscellaneous Fees

Item	Service Charge
Account Establishment	\$40.00
Establishment (After Hours)	\$60.00
Reconnection (Delinquent)	\$50.00
APR Check	\$25.00

Service Rates and Fees

As of 2/15/2010 @ 4:05pm
Saved as Screen Shot



Base Monthly Service Charges and Miscellaneous Fees
as established by the Arizona Corporation Commission in
Docket # W-02064A-01-0787

Base Monthly Service Charges and Miscellaneous Fees
as established by the Arizona Corporation Commission in
Docket # W-02064A-01-0787

Base Monthly Service Charges

Meter Size	Base Monthly Service Charges
1/2"	\$40.88
1"	\$68.13
1 1/2"	\$138.25
2"	\$216.39
3"	\$408.75
4"	\$618.25
6"	\$1,362.50

Gallage Charge – per 1,000 Gallons

\$1.85

Miscellaneous Fees

Item	Service Charge
Account Establishment	\$40.00
Establishment (After Hours)	\$60.00
Reconnection (Delinquent)	\$50.00
NSF Check	\$25.00
Late Fee	1.5% after 15 days
Deferred Payment (per Month)	1.50%
Meter Test (If Correct)	\$30.00
Meter Re-Read (If Correct)	\$15.00

Exhibit 15

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carmen Madrid

Phone: (602) 542-0848

Fax: (602) 542-2129

Priority: Respond Within Five Days

Inquiry No. 2010 89521

Date: 9/21/2010

Complaint Description: 09D Rates/Tariffs - Explanation of
N/A Not Applicable

First:

Last:

Complaint By: Diana

Harding Mitchell

Account Name: Diana Harding Mitchell

Home: ()

Street: n/a

Work: (000) 000-0000

City: Rimrock

CBR:

State: AZ Zip: 00000

Is:

Utility Company: Montezuma ** Rimrock Water Company, L.L.C.

Division: Water

Contact Name: Patsy Olsen

Contact Phone: (928) 592-9211

Nature of Complaint:

Caller states that she was charged a basic monthly rate of \$40.44 and she feels that this is incorrect. She has a 3/4 inch meter.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

I researched the tariff book and I informed the consumer that the charge for a 3/4 inch meter is \$40.88 monthly charge. I informed her that a 5/8 x 3/4 meter monthly charge is \$27.25. She did not know why she needed a 3/4 inch meter. I suggested that she contact the company and ask for the smaller meter and I also informed her that the If the meter was changed she would be charged. She thanked me for the information. Closed

End of Comments

Date Completed: 9/21/2010

Inquiry No. 2010 - 89521

Exhibit 16

Recording Requested by:
First American Title Insurance Agency, Inc.

Ana Wayman-Trujillo, Recorder
OFFICIAL RECORDS OF YAVAPAI COUNTY
FIRST AMERICAN TITLE INS WD

B-4422 P-550
08/03/2006 02:52P
16.00 4042584

When recorded mail to:
Gregory S. Olsen and Patricia D. Olsen
2126 South Tombaugh Way
Flagstaff, AZ 86001



B-4422 P-550
Page: 1 of 3
WD 4042584

WARRANTY DEED

Escrow No. **252-4723688 (slm)**

For the consideration of TEN AND NO/100 DOLLARS, and other valuable considerations, I or we,

SCR Development LLC, an Arizona limited liability company, the GRANTOR does hereby convey to

Gregory S. Olsen and Patricia D. Olsen, husband and wife, the GRANTEE

The following described real property situate in **Yavapai County, Arizona** with the title being conveyed to the grantee as set forth in the attached acceptance by the grantee:

LOT 534, OF LAKE MONTEZUMA ESTATES UNIT TWO, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF YAVAPAI COUNTY, ARIZONA, RECORDED IN BOOK 13 OF MAPS, PAGE 30.

Subject To: Existing taxes, assessments, liens, encumbrances, covenants, conditions, restrictions, rights of way and easements of record.

And the GRANTOR binds itself and its successors to warrant the title as against its acts and none other, subject to the matters set forth.

DATED: July 13, 2006

SEE ACCEPTANCE ATTACHED HERETO

AND BY REFERENCE MADE A PART HEREOF.

SCR Development LLC, an Arizona limited liability company

By: Justin Anderson, Manager

FEE
\$7
\$8
\$5
3



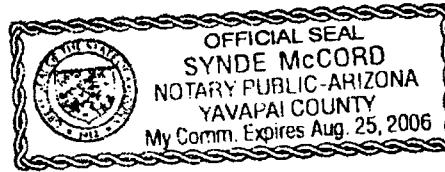
STATE OF

Arizona)

County of

Yavapai)

)ss.



SEAL

On August 2, 2006 before me, the undersigned Notary Public, personally appeared Justin Anderson personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires:

8/25/06

Synde McCord
Notary Public

"UnOfficial"

AFFIDAVIT OF PR



1. ASSESSOR'S PARCEL NUMBER(S) (primary parcel number):
Primary Parcel: 405-25-551
BOOK MAP PARCEL SPLIT LETTER
Does this sale include any parcels that are being split / divided?

Check one: Yes ☐ No ☒

How many parcels, other than the Primary Parcel, are included in this sale?

Please list the additional parcels below (no more than four):

(1) _____ (3) _____
(2) _____ (4) _____

2. SELLER'S NAME AND ADDRESS:

SCR Development LLC

P.O. Box 2404

Cottonwood, AZ 86326

3. (a) BUYER'S NAME AND ADDRESS:

Gregory S. Olsen and Patricia D. Olsen

2126 South Tombaugh Way

Flagstaff, AZ 86001

(b) Are the Buyer and Seller related: Yes _____ No ☒
If yes, state relationship:

4. ADDRESS OF PROPERTY:

4615 East Goldmine

Rimrock, AZ 86335

5. MAIL TAX BILL TO:

Gregory S. Olsen and Patricia D. Olsen

2126 South Tombaugh Way

Flagstaff, AZ 86001

6. PROPERTY TYPE (for Primary Parcel): **NOTE: Check Only One Box**

- a. ☐ Vacant Land f. ☐ Commercial or Industrial Use
b. ☒ Single Family Residence g. ☐ Agricultural
c. ☐ Condo or Townhouse h. ☐ Mobile or Manufactured Home
d. ☐ 2-4 Plex i. ☐ Other Use, Specify:
e. ☐ Apartment Building

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d, or h in Item 6 above, please check one of the following:

☒ To be occupied by owner or family member. ☐ To be rented to someone other than family member.

See reverse side for definition of a "family member."

8. NUMBER OF UNITS:

For Apartment Properties, Motels, Hotels, Mobile Home Parks, RV Parks, Mini-Storage Properties, etc.

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Signature of Seller/Agent

State of Arizona County of Yavapai

Subscribed and sworn to before me on this

day of August 2006

Notary Public

Notary Expiration Date 8/25/10

9. **FOR OFFICIAL USE ONLY: Buyer and Seller leave blank**

(a) County of Recordation:

(b) Docket & Page Number: 4422-550

(c) Date of Recording: 8-8-06

(d) Fee / Recording Number: 4042584

Validation Codes:

(e) ASSESSOR: (A) DOR

ASSESSOR'S USE ONLY

Verify Primary Parcel in Item 1: _____

Use Code:

Full Cash Value: \$

10. TYPE OF DEED OR INSTRUMENT (Check Only One Box):

- a. ☒ Warranty Deed d. ☐ Contract or Agreement
b. ☐ Special Warranty Deed e. ☐ Quit Claim Deed
c. ☐ Joint Tenancy Deed f. ☐ Other

11. SALE PRICE:

197,000.00

00

12. DATE OF SALE (Numeric Digits):

07/06

Month Year

(For example: 03 / 05 for March 2005)

13. DOWN PAYMENT: \$

19,700

00

14. METHOD OF FINANCING:

a. ☐ Cash (100% of Sale Price)

b. ☐ Exchange or trade

c. ☐ Assumption of existing loan(s)

d. ☐ Seller Loan (Carryback)

e. ☒ New loan(s) from Financial institution:

(1) ☒ Conventional

(2) ☐ VA

(3) ☐ FHA

f. ☐ Other financing; Specify:

15. PERSONAL PROPERTY (see reverse side for definition):

(a) Did the Sale Price in Item #11 include Personal Property that Impacted the Sale Price by 5% or more? Yes _____ No _____

(b) If Yes, provide the dollar amount of the Personal Property:

\$ 0.00

00

AND

briefly describe the

Personal Property:

16. PARTIAL INTEREST: If only a partial ownership interest is

being sold, briefly describe the partial interest:

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone):

First American Title Insurance Agency, Inc.

813 Cove Parkway Road, Suite 101

Cottonwood, AZ 86326

252-4723688 (slm)

Phone (928)634-4215

18. LEGAL DESCRIPTION (attach copy if necessary):

Lot 534, of LAKE MONTEZUMA ESTATES UNIT #2 (13 / 30)

Signature of Buyer/Agent

State of Arizona County of Yavapai

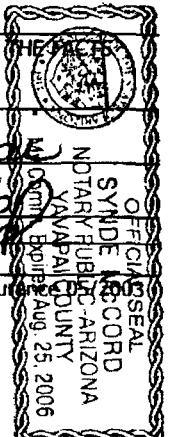
Subscribed and sworn to before me on this

day of August 2006

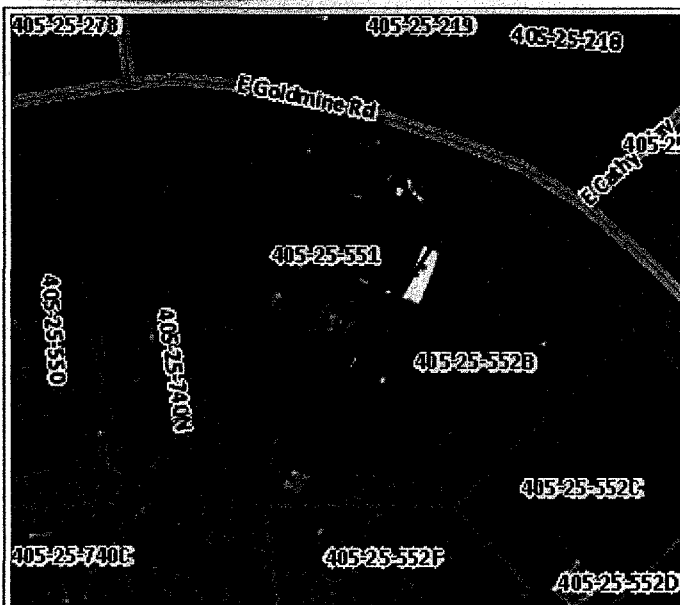
Notary Public

Notary Expiration Date 8/25/10

Reproduction by First American Title Insurance



YAVAPAI COUNTY GOVERNMENT



Parcel ID	Check Digit
405-25-551	0
Owner	
Olsen Gregory S & Patricia D JT	
Owner's Mailing Address	
2126 S Tombaugh Way Flagstaff, AZ 86001	
Secondary Owner	
N/A	
Recorded Date	
2/2/2006	
Last Transfer Doc Docket	Last Transfer Doc Page
4361	15
Physical Address	Incorporated Area
4615 E Goldmine Rd	N/A

Con.
Yav.
Cou.

Assessor Acres	Calc. Acres	Subdivision ☞ (Maps/Surveys)	Subdivision Type
0.21	0.21	Lake Montezuma Estates Unit 2	M
School District		Fire District	
Beaver Creek Elementary SD #26		Montezuma-Rimrock FD	

Improvements (1)

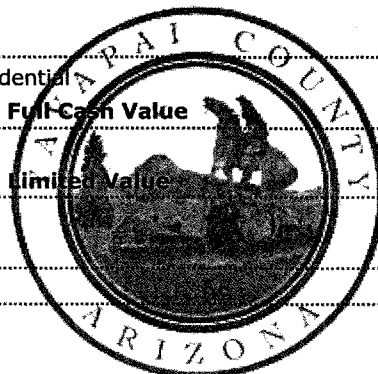
Type: Single Family Residential

Floor area: 1398

Effective/constructed: 2005

Assessment

2012 Full Cash Value	2011 Full Cash Value
\$88,916	\$93,596
2012 Limited Value	2011 Limited Value
\$88,916	\$93,596
2012 Assessment Ratio	2011 Assessment Ratio
10	10
2012 Legal Class	2011 Legal Class
Owner Occupied Residential	Owner Occupied Residential
2012 Net Assessed Full Cash Value	2011 Net Assessed Full Cash Value
\$8,892	\$9,360
2012 Net Assessed Limited Value	2011 Net Assessed Limited Value
\$8,892	\$9,360
Taxes	
Tax Area Code	2010 Taxes Billed
2690	\$1,152
Recent Sale Date	Sale Amount
7/1/2006	\$50,000



Deed Type	Sale Docket	Sale Page
WARRANTY DEED	4422	550
Disclaimer: New Assessor Data is now being displayed as the County has successfully transferred into a new system. Any parcel information on this website that is not yet entered into the New Assessor system yet will not have parcel information. Map and parcel information is believed to be accurate but accuracy is not guaranteed. No portion of the information should be considered to be, or used as, a legal document. The information is provided subject to the express condition that the user knowingly waives any and all claims for damages against Yavapai County that may arise from the use of this data.		

Exhibit 17

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



ARIZONA CORPORATION COMMISSION

ORIGINAL

2010 FEB 26 P 3: 51
February 23, 2009

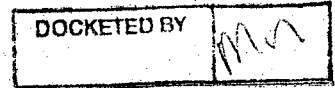
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 26 2010

Ms. Patricia Olsen
Montezuma Rimrock Water Company, LLC
PO Box 10
Rimrock, Arizona 86335



Re: ADEQ Non-Compliance

W-04254A-08-0361
W-04254A-08-0362

Dear Ms. Olsen:

It has come to the attention of the Staff of the Arizona Corporation Commission ("the Commission") that Montezuma Rimrock Water Company, LLC ("Company") is not in compliance with the Arizona Department of Environmental Quality's ("ADEQ") arsenic standards. The purpose of this letter is to alert you that the Commission Staff views this status as a matter of concern.

Staff believes that compliance with ADEQ standards is a necessary component of adequate water service. The Commission has the authority to determine whether the service provided by a public service corporation is adequate. Specifically, A.R.S. § 40-321 reads:

When the commission finds that the equipment, appliances, facilities of service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

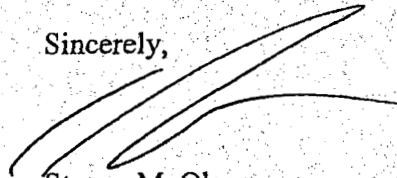
Additionally, A.A.C. R14-2-407(A) and (C) require each public service corporation to provide potable water to customers and to supply a satisfactory and continuous level of service. Your ADEQ deficiencies will likely impact your Company's ability to provide adequate, satisfactory, and continuous service, and these deficiencies should be remedied immediately.

ADEQ has mailed a Consent Order to your Company for ongoing arsenic exceedance which outlined timeframes and listed specific steps your Company needed to take to bring itself into compliance with ADEQ requirements. Staff understands that your Company has refused to sign the Consent Order within the timeframe specified. Within sixty (60) days, please submit to the Utilities Division a detailed plan that addresses and remediates the current problem that has prevented your compliance, explain why you have declined to sign the Consent Order and describe what actions the Company has taken to date to comply with the requirements of the

Consent Order. If a plan is not submitted within sixty (60) days, this issue will be referred to the Commission's Legal Division for possible enforcement action.

Commission Staff awaits your prompt response concerning this serious matter. If you have any questions, please feel free to contact Del Smith, Engineering Supervisor of the Utilities Division, at 602-542-7277 or DSmith@azcc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven M. Olea", written over a horizontal line.

Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission

SMO:DWS:red

CC: Legal Division
Del Smith
Kim Battista

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

1) Lack of required public notice prior to and after construction of Well #4 in a residential area in 2006.

QUESTION TO COMPANY:

Are you required to "Public Notice" your customers when building a well in a residential area? Were customers "Public Notice" in 2006 that well #4 was going to be constructed? Please explain.

We are not to notice customers, we are not an AMA.

2) Failure to obtain the proper county zoning and use permits prior to and after construction of the well.

QUESTION TO COMPANY:

Did you obtain the proper County zoning and use permits prior to and after construction of the well? Was this handled properly? Please explain.

We obtained required permits to drill well.

Approval to drill the well was obtained from Yavapai County. On July 19, 2006, Yavapai County Development Services-EU signed and approved a well site review which was submitted to ADWR. This well site review is submitted to ADWR to insure that the county setbacks and requirements are met. The setbacks and requirements were met and forwarded to ADWR. On August 3, 2006, ADWR approved a permit to drill the well. MWRC has recently received an ATC to approve the well but an ATC to construct the transmission line and arsenic treatment system has not been submitted to ADEQ but will be submitted within a week, once the engineers are finished. Then, after this is done are we able to submit to the county a permit for the construction and/or all that is required of this project. No permits were required at the time of the well drilling from ADEQ, however an ATC was already received from ADEQ.

3) Providing water from Well #4 to a private company before obtaining the required permits from the Arizona Department of Environmental Quality.

THIS QUESTION WAS ADDRESSED BY ADEQ:

John Eyre of ADEQ Tucson Office; Stated that it was ok to provide water from well #4 with out their approval because ADEQ is only concern with potable water however the water was used for construction and there is no need for Arizona Department of Environmental Quality to be involved or for a permit to be obtained.

4) Failure to accurately disclose commercial/utility equipment at Well #4 to the Yavapai County Assessor resulting in underpayment of property taxes.

You may elect to address tax issues with the Yavapai County Assessor Office. If the Assessor Office has any tax issues or concerns that they feel the need to address with the Commission, if and when that happens they can relate this information directly to the Commission.

Decision number 71317 dated 10/30/2009 stands.

Montezuma Rimrock Water Co. LLC ("MRWC") is in good standing.

Exhibit 19

SEND PAYMENTS TO:

Montezuma Rimrock Water Company LLC
P.O. Box 10 4615 E. Goldmine Rd.
Rimrock, AZ 86335
PHONE #: (928) 592-9211

SERVICE			ACCOUNT NUMBER
FROM	TO	DAYS USED	DATE BILL MAILED
11/27/2009	12/27/2009	30	12/28/2009
PREV. READING	PRES. READING	UNITS USED	AMOUNT
15360	18010	2650	
Previous Balance			\$46.76
PAYMENT ** THANK YOU **			(\$46.76)
WATER USE @\$0.0015/GAL (0-2650)			\$3.98
ARSENIC SURCHARGE (0-0 GAL)			\$10.11
Base Rate			\$40.88
STATE TAX			\$3.49
DATE DUE	1/15/2010	CURRENT BALANCE	\$58.46
SERVICE ADDRESS			YTD USE: 17990
5910 N. Bentley Dr.			UNITS:

PD - 1-8-10
1496
\$58.46

SEND PAYMENTS TO:

Montezuma Rimrock Water Company LLC
P.O. Box 10 4615 E. Goldmine Rd.
Rimrock, AZ 86335
PHONE #: (928) 592-9211

SERVICE			ACCOUNT NUMBER
FROM	TO	DAYS USED	DATE BILL MAILED
12/27/2009	1/29/2010	33	2/1/2010
PREV. READING	PRES. READING	UNITS USED	AMOUNT
18010	20340	2330	
Previous Balance			\$58.46
PAYMENT ** THANK YOU **			(\$58.46)
WATER USE @\$0.0015/GAL (0-2330)			\$3.50
WATER USE (0-4000 GAL)			\$40.88
STATE TAX			\$2.82
DATE DUE	2/15/2010	CURRENT BALANCE	\$47.20
SERVICE ADDRESS			YTD USE: 20320
5910 N. Bentley Dr.			UNITS:

PD. 2/5/10 \$47.20 #1490

**NOTICE OF MONTEZUMA RIMROCK WATER COMPANY,
L.L.C.'S APPLICATIONS FOR A RATE INCREASE AND
FOR APPROVAL OF FINANCING
Docket Nos. W-04254A-08-0361 et al.**

Montezuma Rimrock Water Company, L.L.C. ("Montezuma") has filed with the Arizona Corporation Commission ("Commission") a Rate Application requesting a rate increase of \$32,000, equal to approximately 33.24 percent of its unaudited 2007 test year total operating revenues of \$96,265.23, to cover the cost of acquiring an arsenic treatment system and integrating the arsenic treatment system with Montezuma's current facilities. Montezuma has stated that all of its wells are currently exceeding the Environmental Protection Agency's and Arizona Department of Environmental Quality's 10 parts per billion maximum contaminant level for arsenic.

Montezuma has also filed a Financing Application requesting authority to obtain a loan of \$165,000 from the Water Infrastructure Finance Authority of Arizona ("WIFA") to cover the expense of the arsenic treatment system.

The Commission's Utilities Division Staff ("Staff") has analyzed both applications and has recommended that they be approved, although Staff has recommended approval of its proposed rates rather than those proposed by Montezuma. Staff's recommended rates would decrease the monthly bill for a customer served by a 5/8" x 3/4" meter with average usage of 5,813 gallons from \$38.00 to \$37.78 and with median usage of 4,415 gallons from \$35.42 to \$34.29. Staff has also recommended approval of an Arsenic Remediation Surcharge Mechanism that would result in a monthly arsenic surcharge of \$6.41 for a customer served by a 5/8" x 3/4" meter, assuming a \$165,000 WIFA loan.

The Commission will consider the Rate Application and Financing Application together as a consolidated matter. The Commission is not bound by the proposals made by Montezuma, Staff, or any intervenors. The rates and charges ultimately approved by the Commission may be higher or lower than the rates and charges requested in the Rate Application and recommended by Staff.

The Commission may act upon the applications without a hearing. Regardless of whether a hearing is held, written customer comments will be placed in the file, which the Commission will review before making its final decision on the applications. It is important that customers wishing to comment do so promptly so that the Commission can consider customer comments and concerns in reaching its decision.

Customers should bring to the Commission's attention any questions or concerns related to either application, including concerns as to service, billing procedures, or other factors important in determining the reasonableness of the proposed rates and charges or the financings. Copies of the Rate Application, Financing Application, and

Staff Report are available at Montezuma's office at 4615 E. Goldmine Rd., Rimrock, AZ and the Commission's Docket Control at 1200 West Washington Street, Phoenix, AZ 85007 for public inspection during regular business hours and on the Internet via the Commission website (www.azcc.gov) using the e-Docket function. If you have questions about either application, you may contact Montezuma at 928-592-9211. If you wish to file written comments on either application or want further information, you may contact the Commission's Consumer Services Section by calling 1-800-222-7000 or 602-542-4251. Written public comments may also be filed by mailing an original and 13 copies of the comments (referencing Docket No. W- 04254A-08-0361 et al.) to the Commission's Docket Control at 1200 West Washington Street, Phoenix, AZ 85007.

Any person entitled by law to intervene and having a direct and substantial interest in this matter will be permitted to intervene. A person desiring to intervene must file a Motion to Intervene with the Commission's Docket Control and serve the Motion upon Montezuma or its counsel. A Motion to Intervene shall contain at least the following:

1. The name, address, and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor;
2. A short statement of the proposed intervenor's interest in the proceeding (customer, etc.);
3. Whether the proposed intervenor desires a formal evidentiary hearing on the applications and the reasons for such a hearing; and
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Montezuma or its counsel.

The granting of Motions to Intervene shall be governed by Arizona Administrative Code R14-3-105. If a hearing is scheduled in this matter, a deadline for Motions to Intervene will be established in the Procedural Order scheduling the hearing.

Exhibit 20

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Guadalupe Ortiz

Phone: (602) 542-2406

Fax: (602) 542-2129

Priority: Respond Within Five Days

Inquiry No. 2011 - 94591

Date: 4/15/2011

Complaint Description: 08F Arsenic
N/A Not Applicable

Complaint By: First: Ronnie Last: Garcia

Account Name: Ronnie Garcia

Home: (505) [REDACTED]

Street: [REDACTED]

Work:

City: [REDACTED]

CBR:

State: AZ Zip: [REDACTED]

is:

Utility Company: Montezuma ** Rimrock Water Company, L.L.C.

Division: Water

Contact Name: Patsy Olsen

Contact Phone: (928) 592-9211

Nature of Complaint:

Customer is calling to question if the Commission has in fact authorized MRWC to charge an arsenic surcharge to customer's? Per customer, he received the following letter with his bill a week ago and is just trying to confirm that the Commission has allowed this. In addition, customer states that his bill does reflect an arsenic surcharge in the amount of \$15.00.

4/15/11 FAX RECEIVED FROM CUSTOMER - LETTER TO CUSTOMER'S, DATED 4/1/11

Montezuma Rimrock Water Co. LLC
P.O Box 10
Rimrock, AZ 86336
928-592-9211

April 1, 2011

Dear Customer:

As you may be aware, MRWC has been in the process of seeking funding for the Arsenic Treatment Facility (ATF) installation. Since the bids for the project were received in 2009, MRWC must rebid the construction. Construction is scheduled to commence in May, 2011.

We all look forward to this project moving forward. However, with the installation and work required, it also incorporates changes to the system. These changes affect the system and the customers in several areas:

1. This will require that the system will be taken down in order to implement the final installation of the treatment facility. MRWC will do its best to send letters to its customers to inform them of scheduled interruptions in service. However, there may also be times when MRWC will encounter unforeseen short interruptions in service. MRWC appreciates your patience and assistance in helping us to monitor these interruptions. If there is an interruption in your service, MRWC requests that the customers notify us immediately. Please call our office

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

at 928-592-9211. This will help us ascertain and assist with the area and nature of the interruption.

2. Along with the ATF project, charges are incurred on your billing statement. You will notice on your billing statement the arsenic surcharge line item. Especially during these challenging economic times, MRWC realizes the financial burden the arsenic surcharge will place on its customers. However, MRWC received approval from the Arizona Corporation Commission (ACC) to begin the arsenic surcharge in October, 2009 and chose not to begin implementing it in 2009. In order to proceed with the ATF, MRWC must now begin implementing the surcharge as approved by ACC.

3. During construction, road access will be interrupted in the areas of Bentley, Goldmine and Tiemann. We ask for your patience as this part of the construction process progresses.

QUESTIONS TO MRWC:

PURSUANT TO ACC DECISION NO 71317, MRWC WAS ORDERED TO FILE AN APPLICATION WITH THE COMMISSION FOR THE SURCHARGE, PLEASE SEE BELOW:

IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file the following with the Commission's Docket Control, as compliance items in this Docket, within 60 days after executing the documents finalizing the Water Infrastructure Finance Authority of Arizona loan:

(1) an arsenic remediation surcharge application requesting approval of a surcharge that will provide the funds needed to enable Montezuma Rimrock Water Company, LLC to meet its principal and interest obligations on the loan, and (2) copies of each executed loan document or agreement setting forth the terms of the financing obtained.

PLEASE ADVISE THE COMMISSION WHEN AND HOW THIS APPLICATION WAS FILED? WAS THE APPLICATION FILED IN DOCKET NO. W-04254A-08-0361? IF NOT, PLEASE PROVIDE THE APPLICABLE DOCKET NO? DID THE COMMISSION ISSUE A DECISION FOR THE SURCHARGE? IF SO, ON WHAT DATE AND WHAT IS THE DECISION NO?

DID MRWC START BILLING CUSTOMERS AN ARSENIC SURCHARGE? IF SO, ON WHAT DATE AND HOW WAS THE AMOUNT OF THE SURCHARGE DETERMINED?

D

End of Complaint

Utilities' Response:

4/22/11 Email from Montezuma Rimrock:

From: Patricia Olsen [mailto:patsy@montezumawater.com]
Sent: Friday, April 22, 2011 6:27 AM
To: Guadalupe Ortiz
Subject: Re: ACC Complaints: Garcia, Ronnie - Complaint No. 94591

Ms. Ortiz,
Attached is my response. If there are any questions, please do not hesitate to contact me.

Patricia Olsen, Manager
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335
928-592-9211

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

ATTACHED - UTILITY RESPONSE:

Montezuma Rimrock Water Company LLC does not meet the EPA's drinking water quality standards. It exceeds the arsenic levels of 10 ppb. MRWC's current arsenic levels range between 30 and 40 ppb.

MRWC currently has a consent order from ADEQ to install an Arsenic Treatment Facility (ATF) by June 7, 2011.

MRWC applied for a WIFA loan in the amount of \$165,000.00 for its ATF. A citizen complaint required that MRWC conduct an Environmental Information Document (EID). MRWC complied and submitted its EID. AZTEC Consultants conducted a review of the EID and recommended an EIS be submitted. According to WIFA, an EIS could possibly take a year or more to conduct and cost an additional \$100,000 to \$200,000. MRWC contacted WIFA to oppose the review conducted by AZTEC. MRWC feels that the issues considered were invalid. The National Park Service complains that its residence wells will be impacted by pumping its wells. Residence wells are not cultural resources and should therefore not been considered in the review by AZTEC Consultants. Montezuma Well, a cultural resource, has been verified by USGS that no impact will occur to Montezuma Well from the current wells in the area which are shallower than 750 feet. MRWC's wells are 400 feet or less. However, WIFA is allowing the residence wells to be included in the AZTEC review and would not allow MRWC to write a response to the review conducted by AZTEC Consulting.

In order to construct the ATF, MRWC submitted its request for construction to ADEQ. MRWC had received an Approval to Construct (ATC) from ADEQ. This ATC is valid for one year. If construction has not begun within one year, MRWC must resubmit plans and pay additional fees. On April 18, 2011, MRWC began construction of its pipeline in order to keep its ATC current. MRWC also requested an extension from ADEQ on its consent order from ADEQ and has not received a response from ADEQ at this time.

The WIFA funding is no longer an option due to the additional time and expense its customers would incur. In January 2011, MRWC requested an amendment to Decision No. 71317 allowing it to seek funding elsewhere. To date, MRWC has received no documentation or information that it would be allowed to seek funding from a private lending institution.

MRWC contacted four private lending institutions. During these difficult economic times, private lending institutions are reluctant to provide funding. MRWC received a letter from one of the institutions stating MRWC could not meet the debt service of the loan. MRWC contacted the institution to discuss the matter. This left MRWC in a position that it must provide evidence to the institution that it could meet the debt service by implementing the arsenic surcharge. MRWC believed it was authorized to implement the surcharge based on Decision No. 71317 which was approved in October, 2009. MRWC implemented the arsenic surcharge on its April 1st, 2011, billing statement in order to provide the documentation to the private lending institution that it would be able to meet the debt service of the loan. MRWC has not entered into an agreement or signed any contracts with any private lending institutions incurring debt for the \$165,000 for the ATF. MRWC will refund the arsenic surcharge and include a letter of explanation to its customers in the next billing statement that will be issued on May 1, 2011.

End of Response

Investigator's Comments and Disposition:

4/15/11 Emailed to MRWC.

4/18/11 @4:21pm Called Patsy Olsen at MRWC, advised that the Company must immediately stop charging this surcharge as the Commission has not issued the Company approval to do so, which is required pursuant to Decision #71317. Ms. Olsen was under the impression that the Commission did authorize the Company's ability to assess a surcharge for the arsenic plant. Per Ms. Olsen, the Company was unable to obtain a loan from WIFA due to a complaint from John Doherty. The Company filed a letter with the Commission in January 2011 requesting an amendment to the Decision to allow MRWC to obtain funding from a private financial institution.

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Ms. Olsen further explained that since that time she has been in contact with Brian Bozzo, in the Compliance Dept and Marlin Scott in the Engineering Dept. Ms. Olsen has questioned the status of this matter and was instructed by Brian to seek funding from a bank and when she finds a bank that will lend the necessary funds to have the information ready to present to the Commissioners when this matter is scheduled for Open Meeting. Ms. Olsen went to four different banks and was denied by all of them. Ms. Olsen then applied with M&I Bank and was told that if she could prove the Company had a Cost of Service debt, M&I Bank would loan MRWC the money. In order for MRWC to prove they had a Cost of Service debt they had to bill their customer's this surcharge.

Ms. Olsen is very frustrated with Commission Staff for not taking any action on this matter. MRWC's deadline is in June 2011 and the Company is desperately in need of the Commission addressing this matter.

Ms. Olsen says that she has no problem issuing a refund for the surcharge but if the Commission does not handle this in a timely manner she will be unable to provide potable drinking water to her customer's.

I advised Ms. Olsen that I would speak to Staff about this situation and follow up with her tomorrow.

4/19/11 @8AM - Advised Steve Olea of the Company's situation and questioned what the next step is? Per Steve, Staff has done what it needs to do by filing the Status Report. It is now up to the Commissioners to put this on an OM agenda. MRWC needs to start calling the Commissioner's offices. Steve advised me to give the Company the telephone numbers for all Commissioners. Company does need to refund money collected thru the surcharge as a credit on its customer's next bill. Since this is the first time the surcharge has been billed, the Company does not have to refund with interest.

4/19/11 @8:53am Called Ms. Olsen, advised of information from Steve Olea and instructed Ms. Olsen to call the office of the Chairman and all Commissioners. Ms. Olsen requested that I leave the telephone numbers on her voicemail as she is currently in the field. Ms. Olsen will call each office to request action on this matter when she returns to the office.

4/19/11 @8:59am Left Message - Called Ms. Olsen, provided the telephone number for Chairman Pierce, Commissioner's Newman, Stump, Kennedy and Burns offices.

4/19/11 @4:27pm Called Patsy Olsen at MRWC, advised that she will need to send a letter to her customer's explaining the surcharge that was billed and the credit they will see on their next bills. I further advised Patsy, that the Commission would like to review the letter prior to her sending it to customers. Patsy said that she may not be able to send the letter to the Commission until early next week as she will be in the field most of this week. Customer bills will not be sent out until May 1st.

I questioned if Patsy called any of the Commissioner offices? Patsy stated that before she could, she received a call from Steve Olea, Del Smith and Marlin. Per Patsy, Commissioner Burns is going to put this on an Open Meeting agenda and Staff called to question if Patsy would be able to attend. Patsy confirmed with Staff that she would attend if this matter is scheduled for Open Meeting. Per Patsy, it was difficult for her to pay full attention to what Staff was saying during the conference call as John Dougherty was screaming and yelling at her in the background and trying to threaten her.

4/21/11 @11:07am Called Patsy Olsen at MRWC, advised that Staff is working on a public filing concerning MRWC and questioned status of her response to the customer complaint. Per Patsy, she will work on it and have it to the Commission by tomorrow.

4/22/11 @10:34am - Left msg on voicemail, advising customer of the utility's response. I further advised the customer of the credit and letter of explanation that the Company will be sending to customers in May concerning the arsenic surcharge. Left my name, number and welcomed the customer to call me if he has any further questions or concerns related to this matter. CLOSED

End of Comments

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Date Completed: 4/22/2011

Inquiry No. 2011 - 94591

**MONTEZUMA RIMROCK WATER COMPANY
DOCKET NOs. W-4254A-08-0361, W-425A-08-0362**

INTERVENER JOHN E. DOUGHERTY'S FIRST SET OF DATA REQUESTS

- 1.01 Data Requests – Please provide copies of all data requests and the Company's responses to such requests to ACC staff and all other parties in this Docket.
- 1.02 Accounting – Please provide an electronic copy of the calendar year 2009 and 2010 General Ledgers and the General Ledger from January 1, 2011 through August 1, 2011.
- 1.03 Debt—For each debt issuance in line 224 of the 2010 Annual Report provide a copy of the associated debt terms and agreements. Please explain the discrepancy between line 224 in the Liabilities table in the 2010 Annual Report and the failure to disclose the long term debt on the Supplement Financial Data (Long Term Debt) in the 2010 annual report.
- 1.04 Debt—For all debts, short term and long term, encumbered from January 1, 2011 through August 1, 2011 please provide a copy of the associated debt terms and agreements and the purpose for which the debt was incurred.
- 1.05 Pipeline Construction—Provide complete copies of all communications, contracts, agreements, receipts, records of payments, deferrals, loans and any other financial consideration in connection with the construction of an approximately 2,500-foot pipeline by Rask Construction Company that began on or about April 18, 2011. The pipeline connects Well No. 4 with the site of a proposed arsenic treatment facility.
- 1.06 Utilities—Provide a copy of electric bills (consumption of electricity and dollar cost) for each of the company's well sites (Well No. 1, Well No. 3 and Well No. 4) from January 1, 2010 through August 13, 2011.
- 1.07 Sublease—Provide a complete record of accounts of rents received or waived to any person(s) who occupied as living space the Montezuma Rimrock Water Company office located 4615 E. Goldmine Road, Rimrock, AZ 86335. This request covers the time period from when such office space was first used as a residence though August 1, 2011.
- 1.08 Office—Provide a complete accounting of space used inside 4615 E. Goldmine Road that is dedicated to company operations. Provide all accounting records used to determine how much money is charged to ratepayers in connection with MRWC office space.
- 1.09 Lenders—Provide a complete copy of all company applications to private lenders to obtain approximately \$165,000 in financing for construction of an arsenic treatment facility. Include all supplemental information filed by the company in connection with these applications including, but not limited to, MRWC state and federal income tax returns.

1.10 Rates—Provide a complete copy of the company's approved ACC tariffs. Provide a complete copy of the company's rates published on its Website as of August 3, 2011. Provide a complete copy of agreements with all new MRWC customers from January 1, 2009 through August 1, 2011 including the rates, and hook up fees charged to new customers.

1.11 Customer Counts—Provide the customer counts by months since acquiring the company from the Montezuma Property Owners Association through August 1, 2011.

1.12 Montezuma Rimrock Fire District—Provide copies of all correspondence between the company and MRFD from January 1, 2005 through August 1, 2011.

1.13 Shareholder Information—Provide a list the names of all shareholders that have had an ownership stake in the Montezuma Rimrock Water Company LLC since the company was formed. Please include the number of shares owned by each shareholder and the dates shareholders purchased or sold shares and the value per share of such transactions.



John Dougherty <jd.investigativemedia@gmail.com>

Response to John E. Dougherty's First Set of Data Requests

4 messages

Doug Fitzpatrick <fitzlaw@sedona.net>

Fri, Aug 12, 2011 at 11:42 AM

To: jd.investigativemedia@gmail.com, dbroyles@azcc.gov, Patricia Olsen <patsy@montezumawater.com>

- 1.01 Data Requests: n/a
- 1.02 Accounting: The general ledgers for 2009, 2010 and 2011 through the present will be supplied prior to August 19, 2011.
- 1.03 Debt: Will respond to this request prior to August 19, 2011.
- 1.04 Debt: MRWC has not acquired short term or long term debt since January 2, 2011.
- 1.05 Pipeline Construction: The only documentation responsive to this request is a personal check from Patricia Olsen to the contractor.
- 1.06 Utilities: The electric bills for the time frame requested will be supplied prior to August 19, 2011.
- 1.07 Sublease: There is no record of "accounts of rents received or waived to any person[s] who occupied as living space the MRWC office..."
- 1.08 Office: The living room, one bed room, back patio and garage are used by the water company.
- 1.09 Lenders: The loan applications were processed over the phone with prospective lenders or in person; MRWC does not have copies of the applications.
- 1.10 Rates: the company's rates as "published on its website as of August 3, 2011" are available to Mr. Dougherty from the web site and are a matter of public record with the Arizona Corporation Commission. The company does not enter written agreements with its customers. They simply fill out application forms in order to initiate service.
- 1.11 Customer Counts: This information is a matter of public record through the corporation commission.
- 1.12 Montezuma Rimrock Fire Department: The only correspondence responsive to this request is an e-mail from Chief Mike VanDyke dated January 12, 2010. It has to do with flood conditions in the area at or about the time the e-mail was sent. A copy of the e-mail will be supplied prior to August 19.
- 1.13 Shareholder Information: Patricia Olsen is the only shareholder of the company.

The information set forth above was supplied by Patricia Olsen, owner/operator of MRWC. Any

Exhibit 22



ORIGINAL



0000126401

W-04254A-08-0361

W-04254A-08-0362

RECEIVED

704 South Main Street • Cottonwood, Arizona 86326 • Phone: 928/634-8880 • Fax: 928/634-6668

Arizona Corporation Commission

DOCKETED

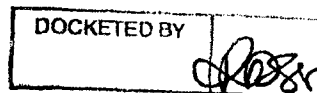
JUN 15 2011

June 10, 2011

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AZ CORP COMMISSION
DOCKET CONTROL

Patricia Olsen
Montezuma Rimrock Water Company, LLC
4615 E Goldmine Rd
Rimrock, AZ 86335



RE: \$165,000 term loan request

Dear Ms. Olsen,

In reviewing your company's financials there does not appear to be sufficient cash flow to debt service your loan request.

Typically, we like to see a debt service ratio of 1.25%.

As an example:

Loan amount of \$165,000
Amortized over 10 years
Interest rate of 7.5%
Estimated annual loan payments would be around \$23,503.

The income reported on your 2010 tax returns shows a net loss for the year and so there is no reported income to support this loan request. In order to meet the minimum cash flow requirements based on this example and your current negative cash flow you would need to increase your revenues by \$37,536 to support this request.

Please contact me at your convenience to discuss.

Sincerely,

Lori Marie Barlow
Vice President